The Federation of Telangana Chambers of Commerce and Industry

(Formerly known as FTAPCCI)

ISO 9001:2015

Empowering Industry, Commerce & Trade

Registered under the Companies Act, 1956

REGD OFFICE : Federation House, Federation Marg , 11-6-841, Red Hills, Hyderabad 500004, Telangana. India. Tel : 91-40-23395515 to 22 (8 lines), Fax : 91-40-23395525
e-Mail : info@ftcci.in ; Website : www.ftcci.in

CIN U91110TG1964NPL001030

Anil Agarwal
President

Meela Jayadev
Senior Vice President

Suresh Kumar Singhal
Vice President

FTCCI/Energy/2022-23/

TSERC HYDERABAD
INWARD
2 8 SEP 2022
No. Sign

September 28, 2022

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

Sub:- Filing of objections in O.P. Nos.39, 40, 41 & 42 of 2021 along with I.A.Nos. 12, 13, 14 & 15 of 2021 and O.P.No. 22 of 2022 filed by TSSPDCL **and** O.P. Nos. 43, 44, 45 & 46 of 2021 along with IA No. 16, 17, 18 & 19 of 2021 and O.P. No.20 of 2022 – Reg.

Respected Sir,

1. The Hon'ble Commission had directed TSSPDCL and TSNPDCL to issue public notices in relation to the above referred O.P. Numbers concerning true up for distribution business for the 1st control period (FY 2006-07 to 2008-09), 2nd control period (FY 2009-10 to 2013-14), 3rd control period (FY 2014-15 to 2018-19) and Annual Performance Review (APR) for FY 2019-20. The copies and information of above mentioned O.P's and I.A's were made available on www.tssouthernpower.com, www.tsnpdcl.in and www.tserc.gov.in. We have accessed the said websites and obtained the copies of filing made by TSSPDCL and TSNPDCL. However, the said copies appear to be un-numbered and do not provide the details of OP Nos. 39, 40, 41, 42 of 2021 along with IA Nos. 12, 13, 14, 15 of 2021 filed by TSSPDCL and likewise OP Nos. 43, 44, 45, 46 of 2021 along with IA Nos. 16, 17, 18, 19 of 2021 filed by TSNPDCL.

2. However, there are copies of filing numbers vide SR Nos. 39, 40, 41, 42, 43, 44, 45 and 46 of 2021 relating to TSSPDCL and further un-number filing for 1st control period SR No. 48 of 2021, un-number for filing 2nd control period SR No. 50 of 2021, un-number filing for 3rd control period SR No. 52 of 2021, un-number filing APR for FY 2019-20 and SR No. 54 of 2021.

3. It is not clear as per the information provided in the website as to which documents correspond to the OP numbers as mentioned in the public notice. Therefore, we are unable to identify the filing number (SR) and the corresponding OP numbers assigned. Further, there are filings concerning condonation of delay, which are also unidentified with corresponding IA numbers.

4. Further, the public notice refers to OP No. 20 of 2022 filed TSNPDCL and OP No. 22 of 2022 filed by TSSPDCL. However, there are no documents available relating to the said matters, hence we are unable to know the subject matter of the same.

5. In view of the above, we are finding it difficult to assist and advice technical and legal professionals in drafting and submitting the objections due to incomplete, confusing and improper case details and corresponding files. Therefore, it is kindly requested that necessary instructions in this regard may be issued to the office of the Commission to provide proper petitions along with corresponding OP numbers and IA numbers enabling us to submit our comments / objections.

6. Further, we are grateful to the Hon'ble Commission for having extended the time to submit objections till 30.09.2022. However, for the reasons explained herein above, we kindly request the Hon'ble Commission to provide sufficient time (minimum of 15days) for filing comments/objections in the said matters from the date of providing proper petitions, and to re-schedule the public hearing from 21.10.2022 to any other day as convenient to the Hon'ble Commission.

Thanking you.

Yours faithfully,

Anil Agarwal
President

The Federation of Telangana Chambers of Commerce and Industry (FTCCI)

Statement of Objections against the Filing of the True-up petition for the Distribution Business for the FY 2006-07 to FY 2020-21, under Multi-Year Tariff principles in accordance with the "Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005" by the Southern Power Distribution Company of Telangana Limited (TSSPDCL) & Northern Power Distribution Company of Telangana Limited (TSNPDCL)

as the Distribution licensee

September, 2022

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THE STATEMENT OF OBJECTIONS BY THE OBJECTOR

STATEMENT OF OBJECTIONS

The Distribution licensees namely Southern Power Distribution Company of Telangana Limited and Northern Power Distribution Company of Telangana Limited (hereinafter referred to as the 'discoms' or 'TS Discoms' or 'Petitioners' or 'distribution companies' or 'Licensees') have filed the Petitions for True up of the Distribution Business for FY2006-07 to FY2020-21 as per Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005.

The Statement of Objections is herein being filed on behalf of 'The Federation of Telangana Chambers of Commerce and Industry (FTCCI)', formerly known as The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI), (hereinafter also referred to as Objector), an Association which was started in 1917 as a Chamber of Commerce and currently having its office at the Federation House 11-6-841, Red Hills, FTCCI Marg, Hyderabad 500004, Telangana, India (hereinafter called the 'Objector'). The main function of the FTCCI is to promote and protect the interests of trade, commerce and industry

FTCCI has been working pro-actively to facilitate issues related to open access for its consumers and in facilitating a competitive power market in the country. Industrial consumers account for about 25~39% of the total energy sales of the Telangana Distribution Utilities. They contribute about 36~41% to the total revenue from tariffs. The special characteristics of the Industrial consumers that benefit the Utilities are:

- They are the subsidising category of consumers for the utilities. Hence they are the revenue earners ensuring better returns for the utilities.

- The Load curve and consumption pattern enable better capacity utilisation and low Cost of Service for the Utilities in comparison to LT consumer categories.

The Objector strongly objects to the Filing of the True-up Petition for the Distribution Business for the FY2006 to FY2021 (herein after referred to as the 'Tariff Petition' or 'Petition' or 'Subject Petition') and prays that the True-up Application may be rejected *in limine*, in the interest of justice and equity. The brief facts, propositions, analysis, grounds for the above prayer of the Objector are narrated herein below:

1 INADEQUATE DATA /DETAILS /DOCUMENTARY EVIDENCES PROVIDED

1.1. It is to be noted that the TS Discoms have filed the True-up Petitions for their Distribution Business for FY 2006-07 to FY 2020-21. The said submissions of both the Discoms are inadequate in the terms of details/data/justification/documentary evidence provided for the true-up claims made by TSSPDCL and TSNPDCL The Objector has already addressed the same issue before Hon'ble TSERC via its Letter dated 29th August, 2022. However, the Objector has neither received any replies nor the requested information from the TS Discoms. A copy of the same letter is attached herewith as **Appendix-A**.

1.2. To reiterate what is mentioned in the letter, the Objector is pointing out the detailed data and documentary evidence supporting such data which are not furnished by the Petitioners in the instant Petitions:

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

- All Orders of the Hon'ble TSERC in O.P. No.s 39, 40, 41, 42, 43, 44, 45 and 46 of 2021 along with I.A. No.s 12, 13, 14, 15, 16, 17, 18 and 19 of 2021 and O.P. No. 20 of 2022 and O.P. No. 22 of 2022;
- Pending Petitions/Appeals of the TSSPDCL and/or TSNPDCL (as Appellant/Respondent/Both) in TSERC/High Court/Supreme Court/Any other court that are related to the Electricity Distribution Business of TSSPDCL and/or TSNPDCL;

1.3. In the absence of above details and particulars, the prudence check of the claims made by the Petitioners cannot be conducted and gainful detailed objections/comments cannot be framed by the Objector. The Hon'ble Commission is requested to direct the Petitioners to furnish the above data along with comprehensive workable excel model for the same.

1.4. In the absence of complete information, the Objector has analysed the True up Petitions on a best effort basis using the limited information available in public domain and preliminary observations/comments/objections are discussed in detail in subsequent sections of the report.

1.5. It is prayed that the Hon'ble Commission may permit the Objector to participate and make additional submission and produce additional details and documentations before and during the course of the Public Hearing, in the interest of justice and equity.

2 INSTANT TRUE-UP EXERCISE IS NOT IN ACCORDANCE TO THE HON'BLE TRIBUNAL'S JUDGEMENT DATED 11.11.2011 IN OP NO. 1 OF 2011

2.1. The Hon'ble Tribunal vide its Judgement dated 11.11.2011 in OP No. 1 of 2011 had issued the following directives to the State Commissions:

> ***"(i) Every State Commission has to ensure that Annual Performance Review, true-up of past expenses and Annual Revenue Requirement and tariff determination is conducted year to year basis as per the time schedule specified in the Regulations.***
>
> ***(ii) It should be the endeavour of every State Commission to ensure that the tariff for the financial year is decided before 1st April of the tariff year. For example, the ARR & tariff for the financial year 2011-12 should be decided before 1st April, 2011. The State Commission could consider making the tariff applicable only till the end of the financial year so that the licensees remain vigilant to follow the time schedule for filing of the application for determination of ARR/tariff.***
>
> ***(iii) In the event of delay in filing of the ARR, truing-up and Annual Performance Review, one month beyond the scheduled date of submission of the petition, the State Commission must initiate suo-moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy.***
>
> ***…***
>
> ***(v) Truing up should be carried out regularly and preferably every year. For example, truing up for the financial year 2009-10 should be carried out along with the ARR and tariff determination for the financial year 2011-12.***
>
> ***…***
>
> ***66. We direct all the State Commissions to follow these directions scrupulously, and send the periodical reports by 1st June of the relevant financial year about the compliance of these directions to the Secretary, Forum of Regulators, who in turn will send the status report to this Tribunal and also place it on its website."***
>
> ***(Emphasis supplied)***

2.2. It is prayed that the Hon'ble Commission may take cognizance of the aforementioned directives of the Hon'ble Tribunal made vide its Judgement dated 11.11.2011 in OP No. 1 of 2011.

2.3. A copy of the Hon'ble Tribunal's Judgement dated 11.11.2011 in OP No. 1 of 2011 is attached herewith as **Appendix-B.**

3 NON-COMPLIANCE TO TSERC'S TARIFF REGULATIONS, 2005 AND ITS SUBEQUENT AMENDMENTS

3.1. The Tariff Regulations, 2005 and its subsequent Amendments stipulate the following:

> *"**9 Resource Plan***
> *9.1 The Distribution Licensee shall file for Commission's approval a Resource Plan on 1st April of the year preceding the first year of Control Period. The Resource Plan shall inter alia, contain the Sales Forecast, Load Forecast, Power Procurement Plan and a Distribution Plan (Capital Investment Plan) consistent with the requirements of the Commission's Guidelines on Load Forecast and Resource Plan (Distribution Plan and Power Procurement Plan) as amended from time to time.*
> *Provided the Resource Plan for the first Control Period may be filed along with the Multi-year filings for ARR of the first Control Period.*
> *9.2 The Commission shall approve the Resource Plan as per the Guidelines on Load Forecast, Resource Plan (Distribution Plan and Power Procurement Plan) and the Distribution Licensee shall adopt them in the Multi-Year and Annual filings for the Control Period.*
> *…*
> ***16 INVESTMENT PLAN***
> *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:*
> *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.*
> ***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 the cost and capitalisation for each year of the Control Period.***
> ***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 1.0 percent for each individual scheme/project and any other material deviations from the Capital Investment Plan including introduction of; or substitution of existing schemes/ projects by, new scheme/project (s)."***
>
> ***(Emphasis supplied)***

3.2. Thus, as per the above Regulations, it is evident that the Hon'ble Commission may provide corrections in the ARR of the Distribution Licensee for subsequent years of the Control Period to the extent of deviation from the investments approved as part of the Capital Investment Plan such that the TS Discoms shall have to:

- Seek approval for individual schemes in the Capital Investment Plan at least 90 days before undertaking the investment in accordance with the Guidelines on Investment Approval
- The individual schemes/ projects submitted by the Distribution Licensee for Commission's approval must provide complete details including those relating to the cost and capitalisation for each year of the Control Period
- Justify the deviations beyond 1.0 percent for each individual scheme/project and any other material deviations from the Capital Investment Plan including introduction of; or substitution of existing schemes/ projects by, new scheme/project (s)

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

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

3.5. If the Petitioners fail to prove absolute compliance to the Hon'ble Commission's Tariff Regulations, it prayed that the Hon'ble Commission may reject the instant Petitions *in limine*.

4 NON-COMPLIANCE TO THE HON'BLE TSERC'S GUIDELINES FOR INVESTMENT APPROVAL (FEBRUARY 2006)

4.1. The TSERC's Guidelines for Investment Approval (February 2006) stipulates the following:

> *"1.1 As per the provisions of paragraph 10 of the Transmission and Bulk Supply Licence (Licence No. 1/2000) and paragraph 9 of the Distribution & Retail Supply License (Licence No. 12/2000), the Licensee shall promptly notify the Commission of any Schemes pertaining to the Transmission or Distribution System which the Licensee from time to time proposes to implement.*
>
> ***As per the Licence conditions, the Licensees are required to obtain prior approval of the Commission for any investment above Rs. 500 lakhs (major investment). The Licensee needs to demonstrate to the satisfaction of the Commission that:***
>
> ***(a) there is a clear need for the major investment and it forms part of the Licensee's Resource Plan. In case the major investment proposed in any year of the control period is not covered under the approved Resource Plan, the Licensee has to establish the need, justification and urgency to take up the scheme in the time-frame proposed and***
>
> ***(b) the Licensee has examined the economic, technical, system and environmental aspects of all viable alternatives to the proposal.***
>
> *…*
>
> *Periodic Reporting*
>
> *1.8 The Licensee shall submit to the Commission periodic progress reports duly correlated to the commissioning schedules. This monitoring shall take place at the end of every half-year. The Licensee shall submit to the Commission a progress report within 15 days of end of each such monitoring period. This progress report should provide details of the progress made in each of the approved Schemes.*
>
> *1.9 The Licensee shall indicate the expenditure incurred till the reporting period vis-à-vis the provisions approved by the Commission while approving the investment Scheme.*
>
> *1.10 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 actual cost, interest during construction, expenses capitalised, etc. and, date of completion.*
>
> ***1.11 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 within 60 days of completion of work/module/scheme, at the latest.

1.12 The Commission or its authorized representative shall have the right to verify the correctness of the PCC and FCC.

1.13 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 months of its completion.

1.14 The waiver granted for implementing Schemes below Rs. 500 lakhs relaxes only the requirement of obtaining prior Commission approval for the investment. The Commission still retains the authority to assess the efficiency and economy with which the Licensee makes any investment and to verify that these investments are consistent with the spirit of the Licence and the Act, and for this purpose may require the Licensee to furnish details of any such scheme, from time to time.

1.15 If it comes to the Commission's notice that the quality of supply to consumers in a particular area is below the standards set out by the Commission due to lack of investments in the Transmission System or Distribution System in that area, the Commission may suo motou direct the Licensee to make investment in Schemes that would result in improvement of the quality of supply. Provided however that while issuing such a direction, the Commission would take into consideration the Licensee's resource position."

(Emphasis supplied)

4.2. As can be observed from the above the Guidelines for Investment Approval mandate the TS Discoms to:

- Obtain prior approval of the Commission for any investment above Rs. 500 lakhs (major investment) providing due justifications. (Such that the waiver granted for implementing Schemes below Rs. 500 lakhs relaxes only the requirement of obtaining prior Hon'ble Commission approval for the investment. The Hon'ble Commission still retains the authority to assess the efficiency and economy with which the Licensee makes any investment and to verify that these investments are consistent with the spirit of the Licence and the Act, and for this purpose may require the Licensee to furnish details of any such scheme, from time to time.)
- Submit the PCC and FCC certificates (On completion of a scheme or a usable module of the scheme) to the effect that the assets created have been duly entered in the Fixed Assets Register by transfer from the CWIP register to OCFA to the Hon'ble Commission *within 60 days of completion of work/module/scheme, at the latest*. (Such that the Hon'ble Commission or its authorized representative shall have the right to verify the correctness of the PCC and FCC.)
- Undertake a post-completion review of the Scheme to assess whether the objective of the investment is met or not and whether or not the desired benefits are accruing from the Scheme and submit a report to the Commission after twelve months of its completion.

4.3. It is observed that the Petitioners have flouted the 60 days limit for submission of PCC and FCC certificates. Moreover, in the instant Petition, Petitioners have not provided the mapping of each PCC and FCC with the associated work and cost (along with soft copies of work and cost details) for each year from FY 2006-07 to FY 2020-21 for both TSNPDCL and TSSPDCL. Nor have the Petitioners submitted their Fixed Asset Registers for every year from FY 2006-07 to FY 2020-21.

4.4. It is prayed that the Hon'ble Commission may take cognizance of the above provisions of the Guidelines for Investment Approval and direct the Petitioners to submit the necessary reports/documents and evidences and the same may be made available on the public domain so that the Objector may submit its objections/comments on the same.

4.5. Furthermore, it is prayed that the Hon'ble Commission may take due action providing due reasoning in accordance to the following provisions of the Guidelines for Investment Approval:

> ***"1.16 Based on the information provided by the Licensee as per the process as specified in the preceding paragraphs, the Commission may, if it comes to the conclusion that the Licensee had not followed the provisions of the guidelines or has been guilty of negligence or wilful default in implementing a Scheme which are not consistent with the objectives sought to be achieved by such investments, disallow recovery of such cost in the Tariff Order or pass such other orders, as the Commission may consider appropriate.***
>
> ***1.17 If the assessment suggests that the company has overestimated the amount needed for investments, the Commission reserves the right to reduce the project cost of the scheme and take any other action it deems appropriate.***
>
> ***…***
>
> ***1.19 Without prejudice to the above the Commission may at any time direct the Licensee to comply with such further or other conditions as the Commission may consider appropriate for undertaking investments consistent with the objects of the Andhra Pradesh Electricity Reform Act, 1998 (Act No. 30 of 1998), the Electricity Act, 2003, the Regulations framed thereunder and the terms and conditions contained in the Licences issued by the Commission.***
>
> ***1.20 Any violation of these conditions shall be a breach of the obligations assumed by the Licensee under Transmission & Bulk Supply Licence and/or the Distribution and Retail Supply Licence and may be subjected to the same proceedings as if the terms of the licence conditions have been violated or not complied with by the Licensee."***

(Emphasis supplied)

4.6. A copy of the TSERC's Guidelines for Investment Approval (February 2006) is attached herewith as **Appendix-C.**

5 NON-COMPLIANCE TO THE HON'BLE TSERC'S DIRECTIVES AS PER TSERC ORDER DATED 29.04.2020

5.1. As per the Distribution order dated 29.04.2020 of TS Discoms pertaining to 4th Control Period (FY2019-20 to FY 2023-24) issued by the Hon'ble TSERC, the Hon'ble Commission had directed the TS Discoms as follows:

> ***"1. Neutral Wire-HVDC areas***
> *The Commission directs the DISCOMs to run neutral wire from 33/11 kV SS to all single phase transformers both existing and new installations without resorting to use of earth as return conductor. Further, the DISCOMs are directed to strictly implement earthing practices as per 61(1)(a), 67(1A) and 92 of IE Rules, 1956 and provide three earth pits as per the prescribed construction standards.* ***The DISCOMs shall submit half yearly reports by 31st October and 30th April for the periods ending 30th September and 31st March respectively.***
>
> ***2. True-up for 1st, 2nd and 3rd Control Periods***
> ***The Commission directs the DISCOMs to submit their true-up claims along complete details sought regarding the capitalization claimed for each year of the 1st, 2nd and 3rd Control Periods in the Petitions to be filed for Annual Performance Review for FY 2019-20. The DISCOMs are also directed to submit the requisite supporting documents such as Physical Completion Certificates (PCCs), Financial Completion Certificates (FCCs) etc. as mandated in the investment approval guidelines.***
> ***The Commission directs the DISCOMs to make a detailed submission regarding the differential treatment of GoTS under the UDAY scheme and likely consequences of the same in in the Petitions to be filed for Annual Performance Review for FY 2019-20. The Commission directs the DISCOMs to submit the details of long-term loans viz., loans availed for capital expenditure, taken over by GoTS under UDAY scheme in the Petitions to be filed for Annual Performance Review for FY 2019-20.***
>
> ***3. Computation of depreciation in accordance with CERC (Terms and Conditions of Tariff) Regulations, 2019***
> *The Commission directs the DISCOMs to submit the computations of depreciation for each year of 4th Control Period in accordance with the provisions of the CERC Tariff Regulations, 2019 in Annual Performance Review for each year of 4th Control Period.*
>
> ***4. Capital Investments***

***The DISCOMs shall seek approval for individual schemes at least 90 days undertaking the investment in accordance with the Guidelines for Investment Approval. The individual schemes/ projects submitted by the DISCOMs for Commission's approval must provide complete details including those relating to the cost and capitalisation for each year of 4th Control Period**.*
Considering the importance of capitalisation of works, the Commission lays down the following requirements to be fulfilled before accepting inclusion of the value of capitalised work in the Original Cost of Fixed Assets (OCFA):
a. On completion of a capital work, a physical completion certificate (PCC) to the effect that the work has been fully executed, physically, and the assets created are put in use, to be issued by the concerned engineer not below the rank of Superintendent Engineer.

b. The PCC shall be accompanied or followed by a financial completion certificate (FCC) to the effect that the assets created have been duly entered in the fixed assets register by transfer from the Capital Works in Progress (CWIP) register to OCFA. The FCC shall have to be issued by the concerned finance officer not below the rank of Senior Accounts Officer.

c. The above mentioned certificates have to be submitted to the Commission within 60 days of completion of work, at the latest. The Commission may also inspect or arrange to inspect, at random, a few of the capitalised works included in the OCFA to confirm that the assets created are actually being used and are useful for the business."

5.2. It is apparent from the instant Petitions of the TS Discoms that the TS Discoms have not complied with the directives of the Hon'ble Commission's Distribution order dated 29.04.2020.

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

5.4. If the Petitioners fail to prove absolute compliance to the Hon'ble Commission's directives in the aforementioned Distribution order dated 29.04.2020, it prayed that the Hon'ble Commission may reject the instant Petitions *in limine*.

6 UDAY MOU SIGNED BETWEEN MINISTRY OF POWER, GOVT. OF TELANGANA AND TS DISCOMS

6.1. In the instant Petitions, the Discoms have submitted as follows:

TSSPDCL:

"Subsequently in 2017,Telangana Discoms entered in to UDAY scheme and as per the agreement, total outstanding debt balance of TSSPDCL of Rs.5550.21 crores (75% of total outstanding) as on 21.02.2017 has been taken over by Government of Telangana. The GoTS has released Rs. 4593.84 crores in FY 2016-17 and Rs. 282.93 Crores in 2017-18 in the form of Equity. ***The outstanding loans of the Discoms which includes long -term and short-term borrowings has been taken over by the GoTS in the form of Equity infusion in the DISCOMs.*** *Therefore as per the Regulation mandate, though DISCOM has savings through interest & principle repayment portion of loans but since the same has been taken as equity infusion by GoTS but not as a capital grant it attracts Return on Equity @ 14% p.a as per Regulation 4 of 2005.*

…

Therefore, no benefit has been accrued to the DISCOM due to UDAY as the equity infusion by the GoTS attracts return on equity of 14% which is higher than the cost of debt that would have incurred in the absence of UDAY scheme.

Further, it is noteworthy to mention that the loans taken under UDAY also comprises FRP & other loans taken to meet the working capital requirements and these costs of finance are not allowed as a pass through under Distribution or Retail Supply Business.

The GoTS has taken over Rs. 5550 crores of loans of TSSPDCL under UDAY agreement. The Breakup of capital expenditure loans and Working capital loans taken over by GoTS under UDAY is tabulated below:

Total Loans taken over under UDAY Scheme	*5,500.00*	*Crs.*
CAPEX Loans	*1,851.40*	*Crs.*
Working Capital Loans	*3,698.60*	*Crs.*

The Honble Commission has not considered any interest of working capital loans for power purchase in the Retail Supply ARR. Only loans to meet capital expenditure have been considered in the Distribution Business ARR.

But, the Honble Commission has computed the savings as INR 743.88 Crores for TSSPDCL for each year of FY 2017-18 and FY 2018-19 in respective Retail Supply Tariff Orders which includes savings towards capital expenditure loans and working capital loans for each year. These savings were already considered as pass through in the Retail Tariffs for FY 2017-18 and FY 2018-19. Therefore, the DISCOM prays before the Honble Commission to

- ***Consider the loans taken under UDAY by GoTS as equity infusion***

- ***Consider no savings on loans under UDAY scheme for the DISCOM and the computed savings of Rs. 1487.76 crores (for two years) which was already passed through the tariffs in retail supply Tariff Order FY 2017-18 and FY 2018-19, may be added back to the True-ups of third control period i.e. FY 2014-15 to FY 2018-19***

Hence, the DISCOM prays the Hon'ble Commission to allow the True-ups for the 3rd control period entirely as per the Regulation.

Particulars	***Rs. in crores***
Third Control Period Gap	*1300.69*
Add. Savings already considered in the Retail Supply Tariff Order FY 2017-18 & FY 2018-19	*1487.76*
Total True-up Gap	***2788.45***

Further, in compliance to the Directive No. 3 of the Distribution Business Tariff Order for 4th Control Period (FY 2019-2024), the details of the loans taken over under UDAY scheme is enclosed as Annexure -II."

TSNPDCL:

"Subsequently in 2017, Telangana Discoms entered in to UDAY scheme and as per the agreement, total outstanding debt balance of TSNPDCL of Rs.3373 crores (75% of total outstanding) as on 30.09.2015 has been taken over by Government of Telangana. The GoTS has released Rs. 2,396 crores in 2016- 17 and Rs.450 crores in 2017.18 in the form of Equity. ***The outstanding loans of the Discoms which includes long--term and short-term borrowings has been taken over by the GoTS in the form of Equity infusion in the DISCOMS.*** *Therefore, as per the Regulation mandate, though DISCOM has savings through interest & principle repayment portion of loans but since the same has been taken as equity infusion by GoTS but not as a capital grant it attracts Return on Equity @ 14% p.a as per Regulation 4 of 2005.*

…

Therefore, no benefit has been accrued to the DISCOM due to UDAY as the equity infusion by the GoTS attracts return on equity of 14% which is higher than the cost of debt that would have incurred in the absence of UDAY scheme. Further, it is noteworthy to mention that the loans taken under UDAY also comprises FR loans taken to meet the power purchase payments and these costs of finance are not allowed as a pass through under Distribution or Retail Supply Business.

The GoTS has taken over Rs. 3,373 crores of loans of TSNPDCL under UDAY agreement. The Breakup of capital expenditure loans and Working capital loans taken over by GoTS under UDAY is tabulated below.

Total Loans taken over under UDAY Scheme	*3,373*	*Crs.*
CAPEX Loans	*940*	*Crs.*

Working Capital Loans	*2,433*	*Crs.*

The Hon'ble Commission has not considered any interest Pass-through of working capital loans for power purchase in the Retail Supply ARR. Only loans to meet capital expenditure have been considered in the Distribution Business ARR.

But, the Hon'ble Commission has computed the savings as INR 372.54 Crores for TSNPDCL for each year of FY 2017-18 and FY 2018-19 in respective Retail Supply Tariff Orders which includes savings towards capital expenditure loans and working capital loans for each year. These savings were already considered as pass through in the Retail Tariffs for FY 2017-18 and FY 201819. Therefore, the DISCOM prays before the Hon'ble Commission to

- ***Consider the loans taken under UDAY by GoTS as equity infusion.***
- ***Consider no savings on loans under UDAY scheme for the DISCOM and the computed savings of Rs.745.08 crores (for two years) which was already passed through the tariffs in retail supply Tariff Order FY 2017-18 and FY 2018-19, may be added back to the True-ups of third control period ie FY 2014-15 to FY 2018-19.***

Hence, the DISCOM prays the Hon'ble Commission to allow the True-ups for the 3rd control period entirely as per the Regulation.

Particulars	***Rs. in crores***
Third Control Period Gap	*82.82*
Add. Savings already considered in the Retail Supply Tariff Order FY 2017-18 & FY 2018-19	*745.08*
Total True-up Gap	***827.90***

Further, in compliance to the Directive No. 3 of the Distribution Business Tariff Order for 4th Control Period (FY 2019-2024), the details of the loans taken over under UDAY scheme is enclosed as Annexure – XI."

(Emphasis supplied)

6.2. As per the UDAY MoU signed between Ministry of Power, Govt. of Telangana and the TS Discoms, the Govt. of Telangana had committed to take the following measures:

"a) Taking over 75% of the debt of the Telangana DISCOMs as on 30th September, 2015 by 31-03-2017.

b) The Borrowings made by the state to takeover DISCOMs debt during 2016-17 shall be utilized by Government of Telangana solely for the purpose of discharging the DISCOMs debt and transfer to DISCOMs as a mix of grant, loan or equity as described in the following table:

(Rs. in Crores)

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

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

…

e) The Government of Telangana shall issue non-SLR bonds to raise funds for providing grant to the DISCOMs.

g) The takeover of the debt shall be in the order of debt already due, followed by debt with highest cost:

Year	*2016-17*	*2017-18*	*2018-19*	*2019-20*	*2020-21*
Previous year's DISCOMs loss to be taken over by State	*0% of the loss of 2015-16*	*5% of the loss of 2016-17*	*10% of the loss of 2017-18*	*25% of the loss of 2018-19*	*50% of the previous year loss*

h) Government of Telangana shall provide Operational Funding Requirement (OFR) support to the DISCOMs, till the DISCOMs achieves turnaround.

…

j) Government of Telangana shall guarantee repayment of principal and interest payment for the balance debt remaining with DISCOMs / bonds issued by DISCOMs.

k) Henceforth, Banks / FIs shall not advance short term debt to DISCOMs for financing losses. Therefore, Government of Telangana shall guarantee the bonds issued by DISCOMs or issue bonds itself to meet current losses after 1st October 2015, if any, within the limit of loss trajectory finalised by MoP."

6.3. As can be observed, as per the Terms of the UDAY MoU, the Govt. of Telangana had committed to:

- Takeover 75% of the debt of the Telangana DISCOMs as on 30th September, 2015 by 31-03-2017

- The Borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms ***as a mix of grant, loan or equity***.
- To issue non-SLR bonds to raise funds for providing grant to the DISCOMs.
- Provide Operational Funding Requirement (OFR) support to the DISCOMs, till the DISCOMs achieves turnaround.
- Guarantee repayment of principal and interest payment for the balance debt remaining with DISCOMs / bonds issued by DISCOMs.
- Guarantee the bonds issued by DISCOMs or issue bonds itself to meet current losses after 1st October 2015, if any, within the limit of loss trajectory finalised by MoP.

6.4. As per the UDAY MoU signed between Ministry of Power, Govt. of Telangana and the TS Discoms, the TS Discoms had committed to take the following measures:

> ***"a) For the 25% of the debt remaining with DISCOM as on 30th September, 2015 DISCOM to fully/ partially issue state government guaranteed bonds or get them converted by Banks/FIs into loans or bonds with interest not more than the Banks base rate plus 0.1 %.***
> ***DISCOMs to ensure timely payment of lender's dues towards principal/interest for the balance debt remaining with them.***
> ***b) The DISCOMs shall pay interest to the Government of Telangana on the outstanding Government Guaranteed bonds for the Go TS loan in a financial year at the rate at which Telangana Government issued non-SLR Bonds."***
>
> ***(Emphasis supplied)***

6.5. It is prayed that the Hon'ble Commission may ensure that the borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms as a mix of grant, loan or equity are strictly in accordance with the Terms of the UDAY MoU and that the other commitments of Govt. of Telangana and the TS Discoms are being strictly complied with.

6.6. Wherever there is non-compliance of the Terms of the UDAY MoU, it is prayed that the Hon'ble TSERC may take note of the same in its Order and disallow any claims made by the Petitioners which are in violation of the Terms of the UDAY MoU in the instant Petition.

7 O&M EXPENSES

7.1. The TSSPDCL and TSNPDCL Discoms have claimed a true up of Rs. 2,555.61 Crores & Rs. 1,403.56 Crores respectively towards the variation in the O&M Expenses for the Period from FY 2006-07 to FY 2020-21. The TSSPDCL and TSNPDCL have stated the actual O&M expenses to the tune of Rs. 20,299.95 Crores & Rs. 12,037.99 Crores respectively against the approved value of Rs. 17,744.34 & 10,634.43. The Objections in respect of the variation in O&M expenses claimed by the Licensee are provided below:

A. Truing up of O&M expenses is not allowable as it is a Controllable Expense

7.2. As per clause 10.4 of the Tariff Regulations, the O&M expenses are 'Controllable' expenses and the Hon'ble Commission in its latest Tariff Order dated 29.04.2020 and past orders had allowed the same on normative basis. In view of the provisions of the APERC Tariff Regulations, 2005, the variation in respect of 'Controllable' expenses are not allowable. The Relevant clauses (10.5 to 10.8) of the APERC Tariff Regulations is interpreted below:

> ***"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 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***
>
> ***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 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***
>
> ***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***
> ***Provided that for the first Control Period, insofar as the gains and losses from the Retail Supply Business of the Distribution Licensee are concerned, these will be shared with the consumers on yearly basis.***
>
> ***I0.8 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."***
>
> ***(Emphasis Supplied)***

7.3. Above stated clauses 10.5-10.8 of the defined regulation clearly depicts a picture that only force majeure items are allowed for pass through over and above the normative values, subjected to Commission prudence check.

7.4. Contrary to this, the Petitioners have claimed the entire variation in O&M expenses without appreciating that Reg.10.8 provides that only the gains and losses on account of factors which are beyond the control of the Petitioner – force majeure – are to be allowed.

7.5. Basically, the Operation and Maintenance Expenses consist of three elements:

A. Employee Cost Expenses
B. Repair and Maintenance Expenses
C. Administrative and General Expenses

7.6. As Discoms are regulated entities, the Hon'ble Commission has set out the allowable norms for these three components in the relevant tariff orders which are to be strictly adhered. However, both the Discoms have deviated from the approved norms. The major reasons stated in instant Petitions against the deviation are as below:

- Wage Revision
- Regularization of outsourcing employees
- Actuarial Valuation Report
- Leave Encashment
- DA hike and new recruitment
- Increase in Repairs and Maintenance cost
- Increase in travelling and vehicle hire expenses

7.7. It is reiterated that the Hon'ble Commission may direct the Petitioners to submit the following details, without which prudence check exercise of *Wage Revision*, *Actuarial Valuation Report*, *Leave Encashment*, *Increase in Repairs and Maintenance cost*, *Increase in travelling and vehicle hire expenses*, would be hampered:

- All Actuarial Valuation Reports for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
- Detailed Report on Wage Revision Impact for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
- Detailed explanation with supporting documents for increase in Repair and Maintenance Expenses for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
- Detailed explanation with supporting documents for increase in Administrative and General Expenses for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;

B. Enabling Provision for O&M expenses computation as per APERC Regulation 2005:

7.8. Clause 14 of the APERC Tariff Regulations, 2005 stipulate the following pertaining to Operation and Maintenance Expenses:

> ***"14 OPERATION AND MAINTENANCE COSTS***
>
> *14.I. Operation and Maintenance (O&M) costs shall comprise the following:*
>
> *a. Salaries, wages and other employee costs;*
> *b. Administrative and General costs;*
> *c. Repairs and maintenance, and*
> *d. Other miscellaneous expenses, like legal charges, audit fees, lease charges, rent, rates and taxes etc.*
>
> *14.2. The Distribution Licensee in its filings for the Control Period shall submit consolidated O&M expenses for the Base Year of the Control Period, and two years preceding the Base Year. The 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 the Base Year, if required, will be used for projecting the expenses for each year of Control Period.*
>
> *14.3 The composite O&M expenses permissible towards revenue requirement for each year the Control Period shall be determined, by using pre-determined norms or formulae 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."*

(Emphasis supplied)

C. O&M norms defined in the MYT order dt. 27.03.2015 & 29.04.2020

7.9. Notwithstanding the previous points, it is submitted that the Hon'ble Commission vide its Order dt. 27.03.2015 has defined the O&M norms for FY 2015-16 to FY 2018-19 as follows:

Table No. 4.7 – Approved cost allocation to each cost driver for the years 2015-16 to 2018-19

TSSPDCL (in Rs)	2015-16	2016-17	2017-18	2018-19
Employee cost per Substation	6306348	6880946	7507898	8191974
Employee cost per KM of Line (ckt.km)	34653	37810	41255	45014
Employee cost per DTR	32632	35605	38849	42389
Employee cost per Consumer	1329	1450	1582	1726
A&G cost per Substation	1808036	1972774	2152522	2348647
A&G cost per KM of Line(ckt.km)	8521	9297	10144	11068
A&G cost per DTR	8018	8749	9546	10416
A&G cost per Consumer	321	350	382	417

Table No. 4.8 – Approved R&M Norms for the years 2015-16 to 2018-19

Elements	TSSPDCL	TSNPDCL
Norms for R&M expenses in % of opening GFA	1.92%	1.72%

TSNPDCL (in Rs)	2015-16	2016-17	2017-18	2018-19
Employee cost per Substation	5329633	5815238	6345089	6923217
Employee cost per KM of Line(ckt.km)	24488	26720	29154	31811
Employee cost per DTR	25551	27879	30419	33190
Employee cost per Consumer	1103	1204	1313	1433
A&G cost per Substation	1240150	1353145	1476436	1610960
A&G cost per KM of Line(ckt.km)	5698	6217	6784	7402
A&G cost per DTR	5945	6487	7078	7723
A&G cost per Consumer	257	280	306	333

7.10. In the same manner, the Hon'ble Commission has also approved the O&M norms for FY 2019-20 and FY 2020-21 as follows vide its Order dt. 29.04.2020:

Table 5–12: Norms of employee cost and A&G expense for 4th Control Period

Rs. in crore

Particulars	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24	
	TSSPDCL	TSNPDCL	TSSPDCL	TSNPDCL	TSSPDCL	TSNPDCL	TSSPDCL	TSNPDCL	TSSPDCL	TSNPDCL
Employee Cost per substation	7231070	6296800	7558362	6581806	7900468	6879710	8258058	7191099	8631833	7516582
Employee Cost per km of line length	17067	14084	17840	14722	18647	15388	19491	16084	20373	16812
Employee cost per DTR	5715	6219	5973	6501	6244	6795	6526	7103	6822	7424
Employee Cost per consumer	570	616	595	644	622	673	651	704	680	736
A&G expenses per substation	522690	326005	546347	340761	571076	356185	596924	372306	623942	389157
A&G expenses per km of line length	1234	729	1290	762	1348	797	1409	833	1473	870
A&G expenses per DTR	413	322	432	337	451	352	472	368	493	384

Particulars	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24	
	TSSPDCL	TSNPDCL	TSSPDCL	TSNPDCL	TSSPDCL	TSNPDCL	TSSPDCL	TSNPDCL	TSSPDCL	TSNPDCL
A&G expenses per consumer	41	32	43	33	45	35	47	36	49	38

Table 5–13: Computation of K factor for FY 2018-19

Particulars	Units	FY 2018-19	
		TSSPDCL	TSNPDCL
Opening GFA	Rs. crore	12524.39	6042.99
R&M expenses	Rs. crore	126.66	71.98
K factor	%	1.01%	1.19%

**The R&M expenses for each year of 4th Control Period have been arrived at by multiplying the K factor with the opening GFA for the respective year*

7.11. The Objector has computed the allowable True-up for the TSSPDCL and TSNPDCL in accordance to the above norms defined by the Hon'ble Commission and the actual Substations, Line Length, DTR, Consumer and GFA data as available in the Audited Accounts of the Petitioners:

Information provided in Audited Accounts for TSSPDCL

TSSPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
No. of Substations	1,344	1,407	1,488	1,593	1,644	1,675
Line Length in KM	2,55,613	2,62,889	2,78,106	2,89,253	2,98,932	3,55,613
No. of DTRs	3,18,765	3,44,763	3,98,586	4,11,372	44,35,453	4,57,384
No of Consumers	68,97,922	73,21,151	76,24,732	82,53,998	87,52,121	91,07,326

(All Figures in Crores)

TSSPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
GFA*	7,806	9,716	11,265	12,524	14,192	16,417

Information provided in Audited Accounts for TSNPDCL

TSNPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
No. of Substations	1110	1195	1283	1368	1405	1439
Line Length in KM	2,16,224	2,13,606	2,18,194	2,62,158	2,67,844	2,72,083
No. of DTRs	2,42,539	2,55,087	2,66,213	2,82,666	2,95,018	3,05,031
No of Consumers	51,78,054	52,74,360	54,29,988	57,05,258	59,81,954	61,77,230

(All Figures in Crores)

TSNPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
GFA*	4,275	4,807	5,421	6,043	7,030	7,888

Allowable O&M expenses for TSSPDCL as per Objector Assessment:

(All Figures in Crores)

TSSPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Employee Cost	786.67	897.48	1,031.69	730.86	791.61	863.71
A&G Expenses	220.04	256.00	293.25	50.87	56.76	78.80
R&M	166	150	187	216	126	143
O&M Expenses	**1,172.85**	**1,303.36**	**1,511.48**	**998.02**	**974.87**	**1,085.85**

Allowable O&M expenses for TSNPDCL as per Objector Assessment:

(All Figures in Crores)

TSSPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Employee Cost	517.20	589.30	677.03	546.98	588.10	629.47
A&G Expenses	134.36	153.21	175.98	29.16	31.32	33.49
R&M	68	74	83	93	72	84
O&M Expenses	**719.41**	**816.04**	**935.69**	**669.38**	**691.34**	**746.62**

* Note: GFA figures (Netted off CWIP) has been considered as per consistent methodology adopted by Hon'ble TSERC

7.12. The detailed computation of allowable O&M expenses for FY16 - 21 is attached herewith as **Appendix-D**

Summary of Disallowances in O&M Expenses as per Objector's Assessment - TSSPDCL:

(All Figures in Crores)

Over the control period 2006-09						
TSSPDCL (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment (E=C-A)	Disallowance in deviation claimed F =D-E
Operation and Maintenance Cost	1,168.01	1,554.58	1,168.01	386.57	0.00	386.57

(All Figures in Crores)

Over the control period 2009-14						
TSSPDCL (O&M Cost)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed (F =D-E)**
Operation and Maintenance Cost	3,969.21	4,886.00	3,969.21	916.79	0.00	916.79

(All Figures in Crores)

Over the control period 2014-19						
TSSPDCL (O&M Cost)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed (F =D-E)**
Operation and Maintenance Cost	7,154.92	8753.00	6002.54	1598.08	-1152.38	2750.46

(All Figures in Crores)

Over the control period 2019-21						
TSSPDCL (O&M Cost)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed (F =D-E)**
Operation and Maintenance Cost	5,451.85	5,105.37	2100.03	-346.48	-3351.82	3005.34

Summary of Disallowances in O&M Expenses as per Objector's Assessment - TSNPDCL:

(All Figures in Crores)

Over the control period 2006-09						
TSNPDCL (O&M Cost)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed F =D-E**
Operation and Maintenance Cost	608.42	753.00	608.42	144.58	0.00	-463.84

(All Figures in Crores)

Over the control period 2009-14

TSNPDCL (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment (E=C-A)	Disallowance in deviation claimed F =D-E
Operation and Maintenance Cost	1,629.22	2,426.00	1629.22	796.78	0.00	-832.44

(All Figures in Crores)

Over the control period 2014-19						
TSNPDCL (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment (E=C-A)	Disallowance in deviation claimed F =D-E
Operation and Maintenance Cost	4,471.00	5275.00	3505.46	804.00	-965.54	-3667.00

(All Figures in Crores)

Over the control period 2019-21						
TSNPDCL (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment (E=C-A)	Disallowance in deviation claimed F =D-E
Operation and Maintenance Cost	3,925.79	3,583.99	1356.20	-341.80	-2569.59	-4267.59

7.13. It is prayed that the Hon'ble Commission may limit the O&M expenses to the approved value for the period 2006-2015 and may allow the O&M expenses (based on norms approved by the Hon'ble TSERC) as per Objector's Assessment for the period 2016-21.

8 DEPRECIATION

8.1. It has been observed that the Distribution Licensees have computed depreciation in the instant Petition using the depreciation rates notified by Ministry of Power (MoP), GOI and incorporated the same into the RRB and expenditure calculations.

8.2. As per the enabling provision listed in APERC Tariff Regulations, 2005, depreciation ought to be computed as per the defined CERC rates. This is affirmed by the Hon'ble Commission in Clause 15 of its Tariff Regulations:

"15.1 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:

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 Transmission Licensee.

15.2 Depreciation allowance for each year of the Control Period shall be determined, generally based on the methodology, rates and other terms as decided by CERC from time to time.

15.3 Depreciation shall be charged from the 1st April of the following year from the date the asset is put to use."

(Emphasis supplied)

8.3. Additionally, the Hon'ble Commission's views in this regard as per Distribution Order dated 29.04.2020 are reproduced below:

"3.8 DEPRECIATION

Commission's Views

3.8.3 Regulation No.4 of 2005 stipulates that the depreciation shall be calculated on the amount of Original Cost of Fixed Assets included in the Regulated Rate Base at the beginning of each year of the Control Period, generally based on the methodology, rates and other terms as decided by CERC from time to time. The Commission has approved the depreciation for 4th Control Period considering the rates of depreciation as specified by CERC in its Tariff Regulations, 2019 as detailed in Chapter."

(Emphasis supplied)

8.4. Thus, it is evident from the Tariff Regulations and the above-mentioned Hon'ble Commission's view that Depreciation is to be computed as per the rates specified by CERC from time to time.

8.5. Therefore, it is prayed that the Hon'ble Commission may direct the petitioner to revise its Depreciation claims in accordance to the Regulation 15 of the APERC Tariff Regulations 2005, and subsequently allow Depreciation after due prudence check.

9 RETURN ON CAPITAL EMPLOYED

9.1. The TSSPDCL and TSNPDCL discoms have claimed a true up of Rs. 185.99 Crores and Rs.525.01 Crores respectively towards the variation in the Return on Capital Employed (RoCE) for the Period FY 2007 to FY 2021. The TSSPDCL and TSNPDCL has stated that the actual RoCE is to the tune of Rs. 5,080.21 Crores and Rs. 2,524.27 Crores respectively. The Objections in respect of the variation in RoCE claimed by the Licensee are provided below:

A. Enabling provision for RoCE computation in the APERC Tariff Regulations, 2005

15 **RETURN ON CAPITAL EMPLOYED**

15.1 Return on Capital Employed (RoCE) for the RRB for the year 'i' shall be computed in the following manner:

$$RoCE = WACC * RRB_i$$

Where,

WACC is the Weighted Average Cost of Capital as fixed by the Commission for the Control period and expressed in terms of percentage;

RRB is the Regulated Rate Base (the asset base) approved by the Commission for each year of the Control period on which the Distribution Licensee shall be entitled to earn a return based on the Commission approved Weighted Average Cost of Capital (WACC).

i: i^{th} year of the Control Period, i = 1, 2, 3 for the first Control Period

- The WACC shall be computed in the following manner:

$$WACC = \left[\frac{D/E.}{1+D/E}\right] r_d + \left[\frac{1}{1+D/E}\right] r_e$$

Where,

D/E is the Debt to Equity Ratio and shall be determined at the beginning of the Control Period after considering Distribution Licensee's proposal, previous years' D/E mix, market conditions and other relevant factors

r_d is the Cost of Debt and shall be determined at the beginning of the Control Period after considering Distribution Licensee's proposals, present cost of debt, market conditions and other relevant factors.

r_e is the Return on Equity and shall be determined at the beginning of the Control Period after considering CERC norms, Distribution Licensee's proposals, previous years' D/E mix, risks associated with distribution & supply business, market conditions and other relevant factors

The Weighted Average Cost of Capital as determined above shall remain unchanged during the Control Period

- The Regulated Rate Base (RRB) for the purposes of computing the RoCE for a year of the Control Period will be computed in the following manner.

$$RRB_i = RRB_{i-1} + \Delta RAB_i + WC_i$$

Where,

RRB_i : Regulated Rate Base for the i^{th} year of the Control period

ΔRAB_i: Change in the Rate Base in the i^{th} year of the Control Period. This component would be the average of the value at the beginning and end of the year as the asset creation is spread across a year and is arrived at as follows:

$$\Delta RAB_i = (Inv_i - D_i - CC_i)/2$$

Where,

Inv_i: Investments projected to be capitalised during the i^{th} year of the Control Period and approved.

D_i: Amount set aside or written off on account of Depreciation of fixed assets for the i^{th} year of the Control Period.

CC_i: User Contributions pertaining to the ΔRAB_i and capital grants/subsidies received during i^{th} year of the Control Period for construction of service lines or creation of fixed assets.

RRB_{i-1}: Regulated Rate Base for the financial year preceding the i^{th} year of the Control period and shall be determined on the basis of approved Capital Investment Plan referred to in clause 16.1 of this Regulation. For the first year of the Control Period, RRB_{i-1} will be the Regulated Rate Base for the Base Year i.e. RRB_O. The values for the Base Year will be determined based on the latest audited accounts available, best estimates of the actuals pertaining to the relevant years and any other factors considered relevant by the Commission.

$$RRB_O = OCFA_O - AD_O - CC_O ,$$

where

$OCFA_O$: Original Cost of Fixed Assets at the end of the Base Year available for use and necessary for the purpose of the licensed business

AD_O: Amounts written off or set aside on account of depreciation and advance against depreciation if any, of fixed assets pertaining to the regulated business at the end of the Base Year

CC_O: Total contributions pertaining to the OCFAo, made by the users towards the cost of construction of distribution/service lines by the Distribution Licensee and also includes the capital grants/subsidies received for this purpose.

B. RoCE Computation Methodology adopted as per the MYT Order dated 27.03.2015:

9.2. The relevant extract of the MYT Order is reproduced below:

"31. Calculation of Return on capital employed (ROCE)

As per Regulation 4 of 2005, the Return on Capital Employed is a permitted as an element of ARR. The amount claimed in this manner is expected to meet the cost of debt and cost of equity to finance the assets used in the distribution business. The Return On Capital Employed is generally worked out under regulated framework as follows:

The value of capital/net assets used in the distribution business defines the Regulated rate base Weighted Average Cost of Capital (WACC) in percentage is worked out based on a) debt – equity ratio (capital structure) b) cost of debt and c) return on equity, and

WACC, in percent, is applied on RRB to arrive at ROCE for each year of control period.

***31.4. Return on Capital Employed (ROCE):** As per Regulation, return on Capital Employed is calculated by multiplying the regulated base rate with weighted average cost of capital. The amount claimed through return on Capital employed is to meet the cost of debt and the cost of equity."*

(Emphasis supplied)

9.3. In line with the Clause 15 of the APERC Tariff Regulations and the RoCE Computation Methodology adopted as per the MYT Order dated 27.03.2015, the Objector has computed the RoCE allowable to TSSPDCL and TSNPDCL based on the Audited Accounts for the

- WC_i: Working Capital Requirement in the i^{th} year of the Control Period and shall be considered as being equal to one twelfth of the Operations and Maintenance expenses as allowed for that year.

respective control Period as follows:

Consumer Contributions -TSSPDCL									
Particular	**FY 07**	**FY 08**	**FY 09**	**FY 10**	**FY 11**	**FY 12**	**FY 13**	**FY 14**	**FY 15**
Opening	607.31	738.12	958.58	1,185.52	1,446.64	1,652.84	2,001.53	2,387.66	2,772.96
Addition	130.82	220.46	226.93	261.12	206.20	348.68	386.13	385.30	(139.11)
Closing	738.12	958.58	1,185.52	1,446.64	1,652.84	2,001.53	2,387.66	2,772.96	2,633.84

Consumer Contributions -TSSPDCL						
Particular	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Opening	2,633.84	3,076.25	3,508.11	3,926.13	4,538.70	5,257.91
Addition	442.40	431.86	418.02	612.57	719.21	582.83
Closing	3,076.25	3,508.11	3,926.13	4,538.70	5,257.91	5,840.74

Consumer Contributions -TSNPDCL									
Particular	**FY 07**	**FY 08**	**FY 09**	**FY 10**	**FY 11**	**FY 12**	**FY 13**	**FY 14**	**FY 15**
Opening	237.20	244.56	287.86	289.89	354.37	406.08	462.35	540.92	617.24
Addition	7.36	43.30	2.03	64.48	51.71	56.28	78.56	76.32	65.73
Closing	244.56	287.86	289.89	354.37	406.08	462.35	540.92	617.24	682.97

Consumer Contributions - TSNPDCL						
Particular	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Opening	682.97	673.25	755.62	875.09	946.29	1,019.03
Addition	(9.72)	82.37	119.47	71.19	72.74	137.58
Closing	673.25	755.62	875.09	946.29	1,019.03	1,156.61

Depreciation -TSSPDCL									
Particular	**FY 07**	**FY 08**	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**
Opening Acc Dep	1,341.17	1,543.66	1,777.36	2,038.61	2,333.91	2,660.23	3,051.34	3,504.94	4,012.54
Dep Addition	202.49	233.70	260.93	295.30	325.93	390.35	452.79	507.53	476.06
Adj/Deduction	-	-	0.33	-	0.40	0.75	0.81	0.06	(912.18)
Closing Dep	1,543.66	1,777.36	2,038.61	2,333.91	2,660.23	3,051.34	3,504.94	4,012.54	3,576.41

Depreciation -TSSPDCL						
Particular	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Opening Acc Dep	3,576.41	4,122.04	4,801.83	5,622.67	6,485.60	7,492.46
Dep Addition	544.52	673.28	832.33	855.81	996.99	1,066.58
Adj/Deduction	1.10	6.52	-11.49	7.12	9.88	1.97
Closing Dep	4,122.04	4,801.83	5,622.67	6,485.60	7,492.46	8,561.01

Depreciation -TSNPDCL									
Particular	**FY 07**	**FY 08**	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**
Opening Acc Dep	689.26	798.42	918.19	1,053.95	1,222.08	1,393.67	1,585.80	1,791.79	2,017.44
Dep Addition	109.44	120.29	136.50	168.30	178.04	195.84	213.67	232.08	246.54
Adj/Deduction	0.28	0.53	0.74	0.16	6.44	3.72	7.68	6.43	20.57
Closing Dep	798.42	918.19	1,053.95	1,222.08	1,393.67	1,585.80	1,791.79	2,017.44	2,243.41

Depreciation -TSNPDCL						
Particular	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Opening Acc Dep	2,243.41	2,608.71	2,836.21	3,168.46	3,546.82	3,981.81
Dep Addition	367.61	299.06	335.45	379.91	444.87	322.62
Adj/Deduction	2.31	71.57	3.19	1.56	9.87	25.38
Closing Dep	2,608.71	2,836.21	3,168.46	3,546.82	3,981.81	4,279.05

GFA -TSSPDCL								
Particular	**FY 07**	**FY 08**	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**
Opening GFA*	3,020.14	3,170.98	3,801.82	4,427.99	5,118.20	6,479.19	7,463.92	8,472.17
Addition	159.52	630.95	626.55	690.21	659.07	1,872.46	1,913.28	2,133.02
Decapitalisation	8.68	0.11	0.38	-	-	887.73	905.04	1,036.22
Closing	3,170.98	3,801.82	4,427.99	5,118.20	5,777.27	7,463.92	8,472.17	9,568.97

GFA-TSSPDCL							
Particular	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**

Opening GFA*	3,020.14	3,170.98	3,801.82	4,427.99	5,118.20	6,479.19	7,463.92
Addition	159.52	630.95	626.55	690.21	659.07	1,872.46	1,913.28
Decapitalisation	8.68	0.11	0.38	-	-	887.73	905.04
Closing	3,170.98	3,801.82	4,427.99	5,118.20	5,777.27	7,463.92	8,472.17

GFA -TSNPDCL									
Particular	**FY 07**	**FY 08**	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**
Opening GFA*	1,623.87	1,756.90	1,916.01	2,353.62	2,721.42	2,945.77	3,291.19	3,664.58	3,944.51
Addition	133.57	159.17	440.10	371.78	234.82	353.73	388.65	293.37	370.13
Decapitalisation	0.54	0.06	2.50	3.98	10.47	8.30	15.25	13.45	39.66
Closing	1,756.90	1,916.01	2,353.62	2,721.42	2,945.77	3,291.19	3,664.58	3,944.51	4,274.98

GFA -TSNPDCL						
Particular	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Opening GFA*	4,274.98	4,807.37	5,421.15	6,043.00	7,030.48	7,887.89
Addition	536.21	735.62	626.05	989.40	871.60	748.85
Decapitalisation	3.81	121.84	4.21	1.92	14.19	30.00
Closing	4807.37	5,421.15	6,043.00	7,030.48	7,887.89	8,606.75

RRB - Base Year (TSSPDCL)								
Particulars (Rs. Crores)	**FY 07**	**FY 08**	**FY 09**	**FY 10**	**FY 11**	**FY 12**	**FY 13**	**FY 14**
Opening Balance of OCFA	3,020.14	3,170.98	3,801.82	4,427.99	5,118.20	5,777.27	6,762.00	7,770.25
Opening Balance of Working Capital	-	-	-	-	-	-	-	-
Opening Balance of Accumulated Depreciation	1,341.17	1,543.66	1,777.36	2,038.61	2,491.40	2,817.73	3,208.84	3,662.43
Opening balance of Accumulated Consumer Contribution	607.31	738.12	958.58	1,185.52	1,446.64	1,652.84	2,001.53	2,387.66
Regulated Rate Base (RRB) (Opening)	1,071.66	889.20	1,065.88	1,203.86	1,180.16	1,306.70	1,551.64	1,720.15
Capitalisation allowed during the Year	150.84	630.84	626.17	690.21	659.07	984.73	1008.25	1096.80
Depreciation	202.49	233.70	261.25	452.79	326.33	391.11	453.60	507.60
Consumer Contribution	130.82	220.46	226.93	261.12	206.20	348.68	386.13	385.30
O&M Expenses as per Objector's Assessment	371.27	389.84	406.90	644.72	716.33	785.00	869.17	954.34
Change in Working Capital (O&M/12)	30.94	32.49	33.91	53.73	59.69	65.42	72.43	79.53
RRB (Closing)	858.26	1,033.39	1,169.95	1,126.43	1,247.00	1,486.22	1,647.72	1,844.53
Change in RRB (Δ RB)	(60.30)	120.83	102.90	41.88	122.96	187.89	156.69	181.48
Regulated Rate Base (RRB)	**1,011.37**	**1,010.02**	**1,168.78**	**1,245.74**	**1,303.12**	**1,494.58**	**1,708.33**	**1,901.63**

RRB - Base Year (TSSPDCL)							
Particulars (Rs. Crores)	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Opening Balance of OCFA	8,867.05	8,030.03	9,624.13	11,250.68	12,870.63	15,039.96	16,661.90
Opening Balance of Working Capital	-	-	-	-	-	-	-
Opening Balance of Accumulated Depreciation	4,170.03	3,733.91	4,279.53	4,959.33	5,780.17	6,643.10	7,649.96
Opening balance of Accumulated Consumer Contribution	2,772.96	2,633.84	3,076.25	3,508.11	3,926.13	4,538.70	5,257.91
Regulated Rate Base (RRB) (Opening)	1,924.05	1,662.28	2,268.35	2,783.24	3,164.33	3,858.16	3,754.03
Capitalisation allowed during the Year	-837.01	1594.10	1626.55	1619.95	2169.33	1621.94	1205.81
Depreciation	(436.13)	545.62	679.80	820.84	862.93	1,006.86	1,068.55
Consumer Contribution	(139.11)	442.41	431.86	418.03	612.57	719.21	582.83
O&M Expenses as per Objector's Assessment	1,056.47	1,156.59	1,340.03	1,541.22	908.23	991.71	1,108.32
Change in Working Capital (O&M/12)	88.04	96.38	111.67	128.43	75.69	82.64	92.36
RRB (Closing)	1,574.24	2,171.96	2,671.57	3,035.89	3,782.48	3,671.39	3,216.11
Change in RRB (Δ RB)	(42.85)	399.42	369.12	318.98	422.60	30.58	(130.42)
Regulated Rate Base (RRB)	**1,881.21**	**2,061.70**	**2,637.46**	**3,102.22**	**3,586.93**	**3,888.74**	**3,623.61**

RRB - Base Year (TSNPDCL)								
Particulars (Rs. Crores)	**FY 07**	**FY 08**	**FY 09**	**FY 10**	**FY 11**	**FY 12**	**FY 13**	**FY 14**
Opening Balance of OCFA	1,623.87	1,756.90	1,916.01	2,353.62	2,721.42	2,945.77	3,291.19	3,664.58
Opening Balance of Working Capital	-	-	-	-	-	-	-	-
Opening Balance of Accumulated Depreciation	689.26	798.42	919.24	1,056.48	1,270.32	1,454.80	1,654.36	1,875.71
Opening balance of Accumulated Consumer Contribution	237.20	244.56	287.86	289.89	354.37	406.08	462.35	540.92
Regulated Rate Base (RRB) (Opening)	697.41	713.92	708.92	1,007.24	1,096.73	1,084.89	1,174.47	1,247.95
Capitalisation allowed during the Year	133.03	159.12	437.61	367.80	224.35	345.42	373.39	279.92
Depreciation	109.71	120.82	137.25	213.83	184.48	199.56	221.35	238.52
Consumer Contribution	7.36	43.30	2.03	64.48	51.71	56.28	78.56	76.32
O&M Expenses as per Objector's Assessment	196.71	200.93	210.78	251.43	284.63	317.23	368.02	407.91
Change in Working Capital (O&M/12)	16.39	16.74	17.57	20.95	23.72	26.44	30.67	33.99
RRB (Closing)	696.97	692.18	989.68	1,075.78	1,061.17	1,148.04	1,217.29	1,179.05
Change in RRB (Δ RB)	24.37	14.24	166.73	65.69	17.80	71.23	67.41	16.53
Regulated Rate Base (RRB)	**721.78**	**728.17**	**875.65**	**1,072.94**	**1,114.53**	**1,156.12**	**1,241.88**	**1,264.49**

RRB - Base Year (TSNPDCL)							
Particulars (Rs. Crores)	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Opening Balance of OCFA	3,944.51	4,274.98	4,807.37	5,421.15	6,043.00	7,030.48	7,887.89
Opening Balance of Working Capital	-	-	-	-	-	-	-
Opening Balance of Accumulated Depreciation	2,114.23	2,381.33	2,751.24	3,121.87	3,460.51	3,841.98	4,296.71
Opening balance of Accumulated Consumer Contribution	617.24	682.97	673.25	755.62	875.09	946.29	1,019.03
Regulated Rate Base (RRB) (Opening)	1,213.04	1,210.68	1,382.88	1,543.66	1,707.40	2,242.22	2,572.15
Capitalisation allowed during the Year	330.47	532.39	613.78	621.85	987.48	857.41	718.85
Depreciation	267.10	369.91	370.63	338.64	381.47	454.73	348.00
Consumer Contribution	65.73	(9.72)	82.37	119.47	71.19	72.74	137.58
O&M Expenses as per Objector's Assessment	628.00	673.66	743.61	879.19	580.99	644.69	711.51
Change in Working Capital (O&M/12)	52.33	56.14	61.97	73.27	48.42	53.72	59.29
RRB (Closing)	1,158.34	1,326.74	1,481.69	1,634.14	2,193.80	2,518.43	2,746.13
Change in RRB (Δ RB)	51.15	142.24	142.36	155.14	315.82	218.69	175.93
Regulated Rate Base (RRB)	**1,264.19**	**1,352.92**	**1,525.24**	**1,698.80**	**2,023.23**	**2,460.91**	**2,748.08**

ROCE - TSSPDCL								
Particulars (Rs. Crores)	**FY 07**	**FY 08**	**FY 09**	**FY 10**	**FY 11**	**FY 12**	**FY 13**	**FY 14**
Regulated Rate Base (RRB)	1,011.37	1,010.02	1,168.78	1,245.74	1,303.12	1,494.58	1,708.33	1,901.63
Working Capital Loan	30.94	32.49	33.91	53.73	59.69	65.42	72.43	79.53
Net Regulated Rate Base (RRB)	980.43	977.54	1,134.87	1,192.01	1,243.43	1,429.17	1,635.90	1,822.10
Equity (25%)	245.11	244.38	283.72	298.00	310.86	357.29	408.97	455.53
Debt (75%)	735.32	733.15	851.15	894.01	932.57	1,071.88	1,226.92	1,366.58
Rate of return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Rate of Return on Debt	9.00%	9.00%	9.00%	10.00%	10.00%	10.00%	10.00%	12.00%
Weighted Average Cost of Capital (WACC)	**10.21%**	**10.21%**	**10.21%**	**10.96%**	**10.95%**	**10.96%**	**10.96%**	**12.48%**
Return on Capital Employed (RoCE)	**103.28**	**103.12**	**119.38**	**136.49**	**142.75**	**163.75**	**187.19**	**237.31**

ROCE -TSSPDCL							
Particulars (Rs. Crores)	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Regulated Rate Base (RRB)	1,881.21	2,061.70	2,637.46	3,102.22	3,586.93	3,888.74	3,623.61
Working Capital Loan	88.04	96.38	111.67	128.43	75.69	82.64	92.36

Net Regulated Rate Base (RRB)	1,793.17	1,965.31	2,525.79	2,973.78	3,511.25	3,806.10	3,531.25
Equity (25%)	448.29	491.33	631.45	743.45	877.81	951.52	882.81
Debt (75%)	1,344.88	1,473.99	1,894.34	2,230.34	2,633.43	2,854.57	2,648.44
Rate of return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Rate of Return on Debt	12.00%	12.00%	12.00%	12.00%	12.00%	9.85%	9.85%
Weighted Average Cost of Capital (WACC)	**12.48%**	**12.48%**	**12.48%**	**12.48%**	**12.49%**	**10.87%**	**10.86%**
Return on Capital Employed (RoCE)	**234.71**	**257.23**	**329.12**	**387.14**	**447.99**	**422.53**	**393.56**

ROCE - TSNPDCL								
Particulars (Rs. Crores)	**FY 07**	**FY 08**	**FY 09**	**FY 10**	**FY 11**	**FY 12**	**FY 13**	**FY 14**
Regulated Rate Base (RRB)	721.78	728.17	875.65	1,072.94	1,114.53	1,156.12	1,241.88	1,264.49
Working Capital Loan	16.39	16.74	17.57	20.95	23.72	26.44	30.67	33.99
Net Regulated Rate Base (RRB)	705.39	711.42	858.08	1,051.99	1,090.81	1,129.68	1,211.21	1,230.50
Equity (25%)	176.35	177.86	214.52	263.00	272.70	282.42	302.80	307.62
Debt (75%)	529.04	533.57	643.56	788.99	818.11	847.26	908.41	922.87
Rate of return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Rate of Return on Debt	9.00%	9.00%	9.00%	10.00%	10.00%	10.00%	10.00%	12.00%
Weighted Average Cost of Capital (WACC)	**10.22%**	**10.22%**	**10.22%**	**10.98%**	**10.98%**	**10.98%**	**10.98%**	**12.49%**
Return on Capital Employed (RoCE)	**73.78**	**74.43**	**89.53**	**117.81**	**122.36**	**126.91**	**136.30**	**157.89**

ROCE –TSNPDCL							
Particulars (Rs. Crores)	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Regulated Rate Base (RRB)	1,264.19	1,352.92	1,525.24	1,698.80	2,023.23	2,460.91	2,748.08
Working Capital Loan	52.33	56.14	61.97	73.27	48.42	53.72	59.29
Net Regulated Rate Base (RRB)	1,211.86	1,296.78	1,463.27	1,625.53	1,974.81	2,407.19	2,688.79
Equity (25%)	302.96	324.19	365.82	406.38	493.70	601.80	672.20
Debt (75%)	908.89	972.58	1,097.45	1,219.15	1,481.11	1,805.39	2,016.59
Rate of return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Rate of Return on Debt	12.00%	12.00%	12.00%	12.00%	12.00%	9.85%	9.85%
Weighted Average Cost of Capital (WACC)	**12.48%**	**12.48%**	**12.48%**	**12.48%**	**12.49%**	**10.86%**	**10.87%**
Return on Capital Employed (RoCE)	**157.76**	**168.83**	**190.35**	**211.98**	**252.66**	**267.37**	**298.58**

True-up of ROCE Allowable as per Objector's Assessment for TSSPDCL								
Particulars (Rs. Crores)	**FY 07**	**FY 08**	**FY 09**	**FY 10**	**FY 11**	**FY 12**	**FY 13**	**FY 14**
RoCE Approved in MYT Order	132.55	146.21	159.88	184.66	209.08	227.60	243.92	257.10
RoCE as claimed by the Petitioner	113.00	119.00	146.00	173.00	201.00	255.00	293.00	348.00
RoCE as per Objector's Assessment	103.28	103.12	119.38	136.49	142.75	163.75	187.19	237.31
True-up Allowable as per Objector's Assessment	**-29.27**	**-43.09**	**-40.50**	**-48.17**	**-66.33**	**-63.85**	**-56.73**	**-19.79**

True-up of ROCE Allowable as per Objector's Assessment for TSSPDCL								
Particulars (Rs. Crores)	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**	**Total**
RoCE Approved in MYT Order	278.00	376.00	490.00	610.00	730.00	573.77	647.43	5,266.20
RoCE as claimed by the Petitioner	234.00	333.00	559.00	565.00	542.00	583.22	615.99	5,080.21
RoCE as per Objector's Assessment	234.71	257.23	329.12	387.14	447.99	422.53	393.56	3,665.54
True-up Allowable as per Objector's Assessment	**-43.29**	**-118.77**	**-160.88**	**-222.86**	**-282.01**	**-151.24**	**-253.87**	**(1,600.66)**

True-up of ROCE Allowable as per Objector's Assessment for TSNPDCL								
Particulars (Rs. Crores)	**FY 07**	**FY 08**	**FY 09**	**FY 10**	**FY 11**	**FY 12**	**FY 13**	**FY 14**
RoCE Approved in MYT Order	77.51	87.01	93.66	113.70	130.93	148.12	156.79	159.13
RoCE as claimed by the Petitioner	80.00	77.00	94.00	117.00	132.00	140.00	154.00	165.00
RoCE as per Objector's Assessment	73.78	74.43	89.53	117.81	122.36	126.91	136.30	157.89
True-up Allowable as per Objector's Assessment	**-3.73**	**-12.58**	**-4.13**	**4.11**	**-8.57**	**-21.21**	**-20.49**	**-1.24**

True-up of ROCE Allowable as per Objector's Assessment for TSNPDCL								
Particulars (Rs. Crores)	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**	**Total**
RoCE Approved in MYT Order	188.52	224.68	267.65	328.59	404.02	297.62	371.35	3,049.28
RoCE as claimed by the Petitioner	151.00	160.00	247.00	213.00	259.00	267.08	268.19	2,524.27
RoCE as per Objector's Assessment	157.76	168.83	190.35	211.98	252.66	267.37	298.58	2,446.56
True-up Allowable as per Objector's Assessment	**-30.76**	**-55.85**	**-77.30**	**-116.61**	**-151.36**	**-30.25**	**-72.77**	**(602.72)**

Summary of Disallowances in ROCE as per Objector's Assessment - TSSPDCL:

(All Figures in Crores)

Over the control period 2006-09						
TSSPDCL (ROCE)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed F =D-E**
Return on Capital Employed	438.64	378.00	325.78	-60.64	-113	52

(All Figures in Crores)

Over the control period 2009-14						
TSSPDCL (ROCE)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed (F =D-E)**
Return on Capital Employed	1,122.36	1,270.00	867.49	147.64	-255	403

(All Figures in Crores)

Over the control period 2014-19						
TSSPDCL (ROCE)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed (F =D-E)**
Return on Capital Employed	2,484.00	2,233.00	1,656.19	-251.00	-828	577

(All Figures in Crores)

Over the control period 2019-21						
TSSPDCL (ROCE)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed (F =D-E)**
Return on Capital Employed	1,221.20	1,199.21	816.09	-21.99	-405	383

Summary of Disallowances in ROCE Expenses as per Objector's Assessment - TSNPDCL:

(All Figures in Crores)

Over the control period 2006-09						
TSNPDCL (ROCE)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed F =D-E**
Return on Capital Employed	258.18	251.00	237.74	-7.18	-20.44	13.26

(All Figures in Crores)

Over the control period 2009-14						
TSNPDCL (ROCE)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed F =D-E**
Return on Capital Employed	708.67	708.00	661.27	-0.67	-47.40	46.73

(All Figures in Crores)

Over the control period 2014-19						
TSNPDCL (ROCE)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed F =D-E**
Return on Capital Employed	1,413.46	1,030.00	981.59	-383.46	-431.87	48.41

(All Figures in Crores)

Over the control period 2019-21						
TSNPDCL (ROCE)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed F =D-E**
Return on Capital Employed	668.97	535.27	565.96	-133.70	-103.01	-30.69

9.4. It is prayed that the Hon'ble Commission may allow the ROCE as per Objector's Assessment for the period 2016-21, subjected to prudence check.

10 NON-TARIFF INCOME

10.1. The TSSPDCL and TSNPDCL discoms have claimed the non-tariff income to the tune of Rs. 2,649.18 Crores and Rs. 572.93 Crores against the approved amount of Rs. 2.714.97 Crores and Rs.993.56 Crores for the period of 2006-21 pertaining to distribution business

10.2. Non -Tariff income means the income relating to the licensed business other than from tariffs for wheeling and retail sale, excluding any income from Other Business and income on account of Fuel Surcharge Adjustment, Cross-subsidy Surcharge and Additional Surcharge.

10.3. The Hon'ble Commission in its tariff regulations 2005 defines the Non-Tariff as a controllable factor. The relevant snip from the tariff regulations is reproduced below:

Distribution Business	
ARR Item	**"Controllable"/ "Uncontrollable"**
Operation & Maintenance expenses	Controllable
Return on Capital Employed	Controllable
Depreciation	Controllable
Taxes on Income	Uncontrollable
Non-tariff income	Controllable

10.4. It has been observed that the Non-Tariff in the Audited Accounts of the Licensees is booked to the tune of Rs. 4,370.15 Crores and Rs. 1,280.96 Crores for TSSPDCL and TSNPDCL respectively for the period of 2006-21**.**

10.5. A simple comparison between the claimed non-tariff income and non-tariff income booked in Audited Accounts indicates that there is an understatement in non-tariff income claim made by Licensees.

10.6. The Hon'ble Commission is requested to the allow the Non-tariff income as per audited accounts as assessed by the Objector and may reduce the same from the claimed true up /ARR claim.

Summary of Disallowances as per Objector's Assessment - TSSPDCL:

(All Figures in Crores)

Over the control period 2006-21						
TSSPDCL (NTI)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed F =D-E**
Non-Tariff Income	2,715	2,649	4,370	-66	1,655	-1723

Summary of Disallowances as per Objector's Assessment - TSSPDCL:

(All Figures in Crores)

Over the control period 2006-21						
TSSPDCL (NTI)	**Approved (A)**	**Claimed (B)**	**As per Objector Assessment (C)**	**Deviation (D=B-A)**	**Deviation allowable as per Objector Assessment (E=C-A)**	**Disallowance in deviation claimed F =D-E**
Non-Tariff Income	994	573	1,281	-420.44	287	-707.84

11 OTHER EXPENDITURE

11.1. TSSPDCL and TSNPDCL have claimed Other Expenditure to the tune of Rs. 124.66 Crores and Rs. 28.82 Crores respectively against approved value of Rs. 7.13 Crores and 30.56 Crores respectively for the period from FY 2006-07 to 2020-21. From the details submitted by TSSPDCL against other expenditure claim.

11.2. It has been observed that in the case of TSSPDCL. the Increase in Other Expenditure is mainly due to Compensation provided for Injuries, Death and Damages. While there is no rationale/backing provided in the instant Petition for TSNPDCL's other expenditure claim. The Objector's Assessment against such claims is as follows**:**

S No.	Details	Total for FY 2006-21			Objector's Assessment
		Claimed	Approved	Variation	
A	**TSSPDCL**				
1	Price Variances	5.43			-
2	Compensation for Injuries, Death and Damages	80.48			Compensation: • Compensation on account of R&R ought to be capitalized and cannot be claimed in the Distribution Business as it is violated of the Tariff Regulations. • Compensation provided on account of accidents cannot be allowed as part of true up claim as the same is penal in nature.
3	Loss on sale of scrap	5.70			It is a well settled principle that a cost can be loaded on to the consumers only if they have reaped the benefits from that expenditure and thus expenses towards Materials /Scrap/ Assets Loss etc. ought to be disallowed.
4	Provision for Obsolete stock	27.67			The provision for obsolete inventory is based on the book value of the unsold inventory. It is the duty of Discom to manage the inventory in such a way that it balances the supply demand scenario. Such inability of the Discom ought not to be passed on to the consumer.
5	Others Expenses	5.38			The claim has been made without providing any supporting data and details. Hence such ought not be passed to end consumer.
	Total	**124.66**	**7.13**	**117.53**	-
B	**TSNPDCL**				
	Total	**30.56**	**28.82**	**(1.74)**	The claim has been made without providing any supporting data and details. Hence such ought not be passed to end consumer.

11.3. In light of the same, the Objector requests that the Hon'ble Commission may outright disallow the true-up claim of TSSPDCL and TSNPDCL towards Other Expenditure and further direct the TSNPDCL to submit the details of its Other Expenditure Claim.

12 ALLOWABLE TRUE-UP AS PER OBJECTOR'S ASSESSMENT

12.1. Notwithstanding the prayers at sections no. 2 to 5 of these Objections, the Allowable True-up of the Distribution Business of the TS DISCOMS as per Objector's Assessment is as follows:

SUMMARY OF ALLOWABLE TRUE-UP AS PER OBJECTOR'S ASSESSMENT- TSSPDCL:

(All figures in Rs. Crores)

TSSPDCL	FY 2006-07		FY 2007-08		FY 2008-09		Total (1st Control period)	
Particulars	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**
O&M	371.27	371.27	389.84	389.84	406.90	406.90	1,168.01	325.78
RoCE	132.55	103.28	146.21	103.12	159.88	119.38	438.64	438.00
Depreciation	130.90	139.00	152.47	146.00	171.85	153.00	455.22	3.00
Income Tax	-	1.00	-	1.00	-	1.00	-	-
Special Appropriation for Safety Measures	5.00	-	5.00	-	5.00	-	15.00	-
Other Expenditure	4.47	-	-	-	-	-	4.47	1,934.79
Gross ARR	**644.19**	**614.55**	**693.52**	**639.96**	**743.63**	680.28	2,081.34	-
Less:	**-**	-	**-**	-	-	-	-	531.11
Non-Tariff Income	-	198.01	-	289.45	-	43.66	-	14.82
Revenue from Wheeling Charges/Open Access	6.27	11.87	6.35	2.94	6.32	0.01	18.94	1,388.85
Net ARR	**637.92**	**404.68**	**687.17**	**347.57**	**737.31**	636.61	**2,062.40**	325.78
Gap/(Surplus)		**(233.24)**		**(339.60)**		**(100.70)**		**(673.55)**

TSSPDCL	FY 2009-10		FY 2010-11		FY 2011-12		FY 2012-13		FY 2013-14		Total (2nd Control Period)	
Particulars	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**
O&M	644.72	644.72	716.33	716.33	785.00	785.00	869.17	869.17	954.34	954.34	3,969.56	3,969.56
RoCE	184.66	136.49	209.08	142.75	227.60	163.75	243.92	187.19	257.10	237.31	1,122.36	867.49
Depreciation	224.82	167.00	301.67	182.00	380.94	220.00	443.94	255.00	514.17	284.00	1,865.54	1,108.00
Income Tax	1.50	3.00	1.50	2.00	1.50	1.00	1.50	-	1.50	-	7.50	6.00
Special Appropriation for Safety Measures	5.00	-	5.00	-	5.00	-	5.00	-	5.00	-	25.00	-
Other Expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Gross ARR	**1,060.70**	**951.21**	**1,233.58**	**1,043.08**	**1,400.04**	**1,169.75**	**1,563.53**	**1,311.36**	**1,732.11**	**1,475.65**	**6,989.96**	5,951.05
Less:	-	-	-	-	-	-	-	-	-	-	-	-
Non-Tariff Income	32.10	386.33	32.17	426.98	32.25	99.25	32.32	118.10	32.42	72.31	161.26	1,102.97
Revenue from Wheeling Charges/Open Access	6.32	0.10	-	-	-	-	-	0.20	-	-	6.32	0.30
Net ARR	**1,022.28**	**564.79**	**1,201.41**	**616.10**	**1,367.79**	**1,070.50**	**1,531.21**	**1,193.06**	**1,699.69**	**1,403.34**	**6,822.38**	4,847.78
Gap/(Surplus)		**(457.49)**		**(585.31)**		**(297.29)**		**(338.15)**		**(296.35)**		**(1,974.60)**

TSSPDCL	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		Total (3rd Control Period)	
Particulars	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**
O&M	1,056.47	1,056.47	1,163.80	1,156.59	1,398.00	1,340.03	1,634.75	1,541.22	1,901.90	908.23	7,154.92	6,002.54
RoCE	278.00	234.71	376.00	257.23	490.00	329.12	610.00	387.14	730.00	447.99	2,484.00	1,656.19
Depreciation	497.00	457.00	562.00	545.00	635.00	673.00	705.00	772.00	774.00	856.00	3,173.00	3,303.00
Income Tax	14.40	-	19.48	-	25.39	-	31.60	-	37.81	-	128.68	-
Special Appropriation for Safety Measures	30.00	-	35.00	-	40.00	-	45.00	-	50.00	-	200.00	-
Other Expenditure	0.48	-	0.50	-	0.53	-	0.56	-	0.59	-	2.66	-
Gross ARR	**1,876.35**	**1,748.18**	**2,156.78**	**1,958.82**	**2,588.92**	2,342.15	**3,026.91**	2,700.35	**3,494.30**	2,212.22	13,143.26	10,961.73

TSSPDCL	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		Total (3rd Control Period)	
Particulars	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**
Less:	-	-	-	-	-	-	-	-	-	-	-	-
Non-Tariff Income	241.30	253.10	326.16	493.48	320.55	384.75	362.72	225.35	395.46	542.81	1,646.19	1,899.48
Revenue from Wheeling Charges/Open Access	-	0.22	-	1.15	-	4.64	-	27.23	-	24.46	-	57.70
Net ARR	**1,635.05**	**1,494.87**	**1,830.62**	**1,464.20**	**2,268.37**	**1,952.77**	**2,664.19**	**2,447.77**	**3,098.84**	**1,644.95**	**11,497.07**	**9,004.55**
Gap/(Surplus)		**(140.18)**		**(366.42)**		**(315.60)**		**(216.42)**		**(1,453.89)**		**(2,492.52)**

(All figures in Rs. Crores)

TSSPDCL	FY 2019-20		FY 2020-21		Total 4th Control Period (FY 19-21)	
Particulars	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**
O&M	2,628.95	991.71	2,822.90	1,108.32	5,451.85	2,100.03
RoCE	573.77	422.53	647.43	393.56	1,221.20	816.09
Depreciation	759.54	986.56	850.02	1,066.58	1,609.56	2,053.14
Income Tax	39.05	-	44.06	-	83.11	-
Special Appropriation for Safety Measures	20.00	-	20.00	-	40.00	-
Other Expenditure	-	-	-	-	-	-
Gross ARR	**4,021.31**	**2,400.80**	**4,384.41**	**2,568.46**	**8,405.72**	**4,969.27**
Less:	-	-	-	-	-	-
Non-Tariff Income	450.65	390.53	456.87	446.05	907.52	836.58
Revenue from Wheeling Charges/Open Access	24.84	13.15	44.62	15.84	69.46	28.99
Net ARR	**3,545.82**	**1,997.12**	**3,882.92**	**2,106.57**	**7,428.74**	**4,103.70**
Gap/(Surplus)		**(1,548.70)**		**(1,776.35)**		**(3,325.04)**

True up for TSSPDCL as per Objector's Assessment								
Particulars	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
O&M	-	-	-	-	-	-	-	-
RoCE	-29.27	-43.09	-40.50	-48.17	-66.33	-63.85	-56.73	-19.79
Depreciation	8.10	-6.47	-18.85	-57.82	-119.67	-160.94	-188.94	-230.17
Income Tax	1.00	1.00	1.00	1.50	0.50	-0.50	-1.50	-1.50
Special Appropriation for Safety Measures	-5.00	-5.00	-5.00	-5.00	-5.00	-5.00	-5.00	-5.00
Other Expenditure	-4.47	-	-	-	-	-	-	-
Gross ARR	**-29.64**	**-53.56**	**-63.35**	**-109.49**	**-190.50**	**-230.29**	**-252.17**	**-256.46**
Less:	-	-	-	-	-	-	-	-
Non-Tariff Income	198.01	289.45	43.66	354.23	394.81	67.00	85.78	39.89
Revenue from Wheeling Charges/Open Access	5.60	-3.41	-6.31	-6.22	-	-	0.20	-
Net ARR	**-233.24**	**-339.60**	**-100.70**	**-457.49**	**-585.31**	**-297.29**	**-338.15**	**-296.35**

True up for TSSPDCL as per Objector's Assessment								
Particulars	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**Total**
O&M	-	-7.21	-57.97	-93.53	-993.67	-1,637.24	-1,714.58	**-4,504.19**
RoCE	-43.29	-118.77	-160.88	-222.86	-282.01	-151.24	-253.87	**-185.99**
Depreciation	-40.00	-17.00	38.00	67.00	82.00	227.02	216.56	**-201.18**
Income Tax	-14.40	-19.48	-25.39	-31.60	-37.81	-39.05	-44.06	**-210.29**
Special Appropriation for Safety Measures	-30.00	-35.00	-40.00	-45.00	-50.00	-20.00	-20.00	**-280.00**
Other Expenditure	-0.48	-0.50	-0.53	-0.56	-0.59	-	-	**-7.13**
Gross ARR	**-128.17**	**-197.96**	**-246.77**	**-326.56**	**-1,282.08**	**-1,620.51**	**-1,815.95**	**-5,388.78**
Less:	-	-	-	-	-	-	-	-
Non-Tariff Income	11.80	167.32	64.20	-137.37	147.35	-60.12	-10.82	**1,655.18**
Revenue from Wheeling Charges/Open Access	0.22	1.15	4.64	27.23	24.46	-11.69	-28.78	**7.09**

Net ARR	**-140.18**	**-366.42**	**-315.60**	**-216.42**	**-1,453.89**	**-1,548.70**	**-1,776.35**	**-7,051.05**

SUMMARY OF REVENUE GAP/(SURPLUS) ON TRUE UP OF DISTRIBUTION BUSINESS FOR THE PERIOD FROM FY 2006-07 TO FY 2020-21 AS PER OBJECTOR'S ASSESSMENT – TSNPDCL:

(All figures in Rs. Crores)

1st Control Period		2nd Control Period		3rd Control Period		4th Control Period	
FY	Amount	FY	Amount	FY	Amount	FY	Amount
2006-07	(233.24)	2009-10	(457.49)	2014-15	(140.18)	2019-20	(1,548.70)
2007-08	(339.60)	2010-11	(585.31)	2015-16	(366.42)	2020-21	(1,776.35)
2008-09	(100.70)	2011-12	(297.29)	2016-17	(315.60)	**Total**	**(3,325.04)**
Total	(673.55)	2012-13	(338.15)	2017-18	(216.42)	**Grand Total**	**(6,515.85)**
TSSPDCL Claim	**(556.01)**	2013-14	(296.35)	2018-19	(1,453.89)		
		Total	**(1,974.60)**	Uday Savings	1487.76		
		TSSPDCL Claim	**(1,630.03)**	**Total**	**-1,004.76**		

SUMMARY OF ALLOWABLE TRUE-UP AS PER OBJECTOR'S ASSESSMENT- TSNPDCL:

(All figures in Rs. Crores)

TSNPDCL	FY 2006-07		FY 2007-08		FY 2008-09		Total (1st Control Period)	
Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
O&M	196.71	196.71	200.93	200.93	210.78	210.78	608.42	608.42
RoCE	77.51	73.78	87.01	74.43	93.66	89.53	258.18	237.74
Depreciation	82.38	90.00	90.27	102.00	98.10	115.00	270.75	307.00
Income Tax	-	1.00	-	1.00	-	2.00	-	4.00
Special Appropriation for Safety Measures	5.00	-	5.00	-	5.00	22.00	15.00	22.00
Other Expenditure	3.45	-	-	-	-	-	3.45	-

TSNPDCL	FY 2006-07		FY 2007-08		FY 2008-09		Total (1st Control Period)	
Particulars	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**
Gross ARR	**365.05**	**361.49**	**383.21**	**378.36**	**407.54**	**439.31**	**1,155.80**	**1,179.16**
Less:							-	-
Non-Tariff Income	-	128.71	-	70.42	-	43.66	-	242.78
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-
Net ARR	**365.05**	**232.78**	**383.21**	**307.94**	**407.54**	**395.66**	**1,155.80**	**936.38**
		(132.27)		**(75.27)**		**(11.88)**		**(219.42)**

(All figures in Rs. Crores)

TSNPDCL	FY 2009-10		FY 2010-11		FY 2011-12		FY 2012-13		FY 2013-14		Total (2nd Control Period)	
Particulars	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**
O&M	251.43	251.43	284.63	284.63	317.23	317.23	368.02	368.02	407.91	407.91	1,629.22	1,629.22
RoCE	113.70	117.81	130.93	122.36	148.12	126.91	156.79	136.30	159.13	157.89	708.67	661.27
Depreciation	150.00	143.00	184.00	147.00	232.00	161.00	276.00	174.00	319.00	186.00	1,161.00	811.00
Income Tax	1.25	2.00	1.25	2.00	1.50	1.00	1.50	-	1.50	-	7.00	5.00
Special Appropriation for Safety Measures	5.00	31.00	5.00	18.00	5.00	1.00	5.00	1.00	5.00	-	25.00	51.00
Other Expenditure	3.90	-	3.97	-	4.03	-	4.11	-	4.19	-	20.20	-
Gross ARR	**525.28**	**545.24**	**609.78**	**573.99**	**707.88**	**607.14**	**811.42**	**679.32**	**896.73**	**751.80**	**3,551.09**	**3,157.49**
Less:		-									-	-
Non-Tariff Income	5.86	128.71	5.91	74.27	5.95	71.03	6.00	61.65	6.05	72.13	29.77	407.80
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-	-	-	-	-
Net ARR	**519.42**	**416.54**	**603.87**	**499.72**	**701.93**	**536.11**	**805.42**	**617.67**	**890.68**	**679.67**	**3,521.32**	**2,749.70**
Gap/(Surplus)		**(102.88)**		**(104.15)**		**(165.82)**		**(187.75)**		**(211.01)**		**(771.62)**

(All figures in Rs. Crores)

TSNPDCL	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		Total (3rd Control Period)	
Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
O&M	628.00	628.00	740.00	673.66	883.00	743.61	1,026.00	879.19	1,194.00	580.99	4,471.00	3,505.46
RoCE	188.52	157.76	224.68	168.83	267.65	190.35	328.59	211.98	404.02	252.66	1,413.46	981.59
Depreciation	235.27	195.00	258.20	133.00	311.59	208.00	372.40	236.00	427.63	268.00	1,605.09	1,040.00
Income Tax	8.48	-	9.09	-	9.36	-	9.56	-	10.58	-	47.07	-
Special Appropriation for Safety Measures	25.89	2.00	61.86	2.00	65.12	5.00	68.41	19.00	71.42	24.00	292.70	52.00
Other Expenditure	1.25	-	1.31	-	1.38	-	1.45	-	1.52	-	6.91	-
Gross ARR	**1,087.41**	**982.76**	**1,295.14**	**977.50**	**1,538.10**	**1,146.96**	**1,806.41**	**1,346.17**	**2,109.17**	**1,125.65**	**7,836.23**	**5,579.05**
Less:											-	-
Non-Tariff Income	68.15	30.99	92.25	98.78	147.57	58.37	173.76	49.88	189.15	64.21	670.88	302.23
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-	-	-	-	-
Net ARR	**1,019.26**	**951.77**	**1,202.89**	**878.71**	**1,390.53**	**1,088.59**	**1,632.65**	**1,296.30**	**1,920.02**	**1,061.45**	**7,165.35**	**5,276.82**
Gap/(Surplus)		**(67.49)**		**(324.18)**		**(301.94)**		**(336.35)**		**(858.57)**		**(1888.53)**

(All Figures in Crores)

TSNPDCL	FY 2019-20		FY 2020-21		Total 4th Control Period (FY 19-21)	
Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
O&M	1,874.91	644.69	2,050.88	711.51	3,925.79	1,356.20
RoCE	297.62	267.37	371.35	298.58	668.97	565.96
Depreciation	374.39	444.87	424.81	322.62	799.20	767.49

TSNPDCL	FY 2019-20		FY 2020-21		Total 4th Control Period (FY 19-21)	
Particulars	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**	**Approved**	**Objector's Assessment**
Income Tax	20.26	-	25.27	-	45.53	-
Special Appropriation for Safety Measures	20.00	20.34	20.00	19.85	40.00	40.19
Other Expenditure	-	-	-	-	-	-
Gross ARR	**2,587.18**	**1,377.27**	**2,892.31**	**1,352.56**	**5,479.49**	2,729.83
Less:					-	-
Non-Tariff Income	140.99	167.56	151.92	160.60	292.91	328.16
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-
Net ARR	**2,446.19**	**1,209.72**	**2,740.39**	**1,191.96**	**5,186.58**	**2,401.68**
Gap/(Surplus)		**(1,236.47)**		**(1,548.43)**		**(2,784.90)**

(All Figures in Crores)

True up for TSNPDCL as per Objector's Assessment								
Particulars	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
O&M	-	-	-	-	-	-	-	-
RoCE	-3.73	-12.58	-4.13	4.11	-8.57	-21.21	-20.49	-1.24
Depreciation	7.62	11.73	16.90	-7.00	-37.00	-71.00	-102.00	-133.00
Income Tax	1.00	1.00	2.00	0.75	0.75	-0.50	-1.50	-1.50
Special Appropriation for Safety Measures	-5.00	-5.00	17.00	26.00	13.00	-4.00	-4.00	-5.00
Other Expenditure	-3.45	-	-	-3.90	-3.97	-4.03	-4.11	-4.19
Gross ARR	**-3.56**	**-4.85**	**31.77**	**19.96**	**-35.79**	**-100.74**	**-132.10**	**-144.93**
Less:	-	-	-	-	-	-	-	-
Non-Tariff Income	128.71	70.42	43.66	122.85	68.36	65.08	55.65	66.08
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-
Net ARR	**-132.27**	**-75.27**	**-11.88**	**-102.88**	**-104.15**	**-165.82**	**-187.75**	**-211.01**

True up for TSNPDCL as per Objector's Assessment								
Particulars	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**Total**
O&M	-	-66.34	-139.39	-146.81	-613.01	-1,230.22	-1,339.37	-3,535.13
RoCE	-30.76	-55.85	-77.30	-116.61	-151.36	-30.25	-72.77	-602.72
Depreciation	-40.27	-125.20	-103.59	-136.40	-159.63	70.48	-102.19	-910.55
Income Tax	-8.48	-9.09	-9.36	-9.56	-10.58	-20.26	-25.27	-90.60
Special Appropriation for Safety Measures	-23.89	-59.86	-60.12	-49.41	-47.42	0.34	-0.15	-207.51
Other Expenditure	-1.25	-1.31	-1.38	-1.45	-1.52	-	-	-30.56
Gross ARR	**-104.65**	**-317.64**	**-391.14**	**-460.24**	**-983.52**	**-1,209.91**	**-1,539.75**	**-5,377.08**
Less:	-	-	-	-	-	-	-	-
Non-Tariff Income	-37.16	6.53	-89.20	-123.88	-124.94	26.57	8.68	287.40
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-
Net ARR	**-67.49**	**-324.18**	**-301.94**	**-336.35**	**-858.57**	**-1,236.47**	**-1,548.43**	**-5,664.47**

SUMMARY OF REVENUE GAP/(SURPLUS) ON TRUE UP OF DISTRIBUTION BUSINESS FOR THE PERIOD FROM FY 2006-07 TO FY 2020-21 AS PER OBJECTOR'S ASSESSMENT – TSNPDCL:

(All Figures in Crores)

1st Control Period		2nd Control Period		3rd Control Period		4th Control Period	
FY	**Amount**	**FY**	**Amount**	**FY**	**Amount**	**FY**	**Amount**
2006-07	(132.27)	2009-10	(102.88)	2014-15	(67.49)	2019-20	(1,236.47)
2007-08	(75.27)	2010-11	(104.15)	2015-16	(324.18)	2020-21	(1,548.43)
2008-09	(11.88)	2011-12	(165.82)	2016-17	(301.94)	**Total**	**(2,784.90)**
Total	**(219.42)**	2012-13	(187.75)	2017-18	(336.35)	**Grand Total**	**(4,917.71)**
TSNPDCL Claim	**(219.05)**	2013-14	(211.01)	2018-19	(858.57)		
		Total	**(771.62)**	Uday Savings	745.08		
		TSNPDCL Claim	**(770.31)**	**Total**	**(1,143.45)**		

12.2. Notwithstanding the prayers at sections no. 2 to 5 of these Objections, it is prayed that the Hon’ble Commission may approve a true down of Rs. 6515.85 Crores for TSSPDCL and Rs. 4917.71 Crores for TSNPDCL Crores as assessed by the Objector against true up claim of Petitioner which is Rs. 3259 Crores for TSSPDCL and Rs. 833.54 Crores for TSNPDCL.

13 PRAYERS

Wherefore, the Objector most respectfully prays that this Hon'ble Commission may be pleased to:

A. Consider the above Objection Statement filed by the Objector;

B. Declare that the instant Petitions filed by the Petitioners are opposed to and ultra vires the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulations, 2005 and the Hon'ble TSERC's Guidelines for Investment Approval (February 2006) and Hon'ble TSERC's directives as per TSERC Order dated 29.04.2020, and reject the same *in limine*;

C. Direct the Petitioners to furnish the data requested by the Objector as per its Letter attached herewith as Appendix-A, along with comprehensive workable excel model for the same;

D. Notwithstanding Prayer B, consider the following Prayers of the Objector:

E. Ensure that the borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms as a mix of grant, loan or equity are strictly in accordance with the Terms of the UDAY MoU and that the other commitments of Govt. of Telangana and the TS Discoms are being strictly complied with; Wherever there is non-compliance of the Terms of the UDAY MoU, it is prayed that the Hon'ble TSERC may take note of the same in its Order and disallow any claims made by the Petitioners which are in violation of the Terms of the UDAY MoU in the instant Petition.

F. Limit the O&M expenses to the approved value for the period 2006-2015 and may allow the O&M expenses (based on norms approved by the Hon'ble TSERC) as per Objector's Assessment for the period 2016-21.

G. Direct the petitioner to revise its Depreciation claims in accordance to the Regulation 15 of the APERC Tariff Regulations 2005, and subsequently allow Depreciation after due prudence check.

H. Allow the ROCE as per Objector's Assessment for the period 2016-21, subjected to prudence check.

I. Allow the Non-tariff income as per audited accounts as assessed by the Objector and may reduce the same from the claimed true up /ARR claim.

J. Disallow the truing up of other expenses as such claims are extraneous to the Tariff Regulations;

K. Approve a true down of Rs. 6515.85 Crores for TSSPDCL and Rs. 4917.71 Crores for TSNPDCL Crores as assessed by the Objector;

L. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of justice

M. Permit the Objector to participate and make additional submission and produce additional details and documentations before and during the course of the Public Hearing, in the interest of justice and equity.

Date:

Place: **OBJECTOR**

BEFORE THE TELANGANA STATE ELECTRICITY REGULATORY COMMISSION
AT HYDERABAD

O.P. Nos. 39 to 41 and 43 to 45 of 2021

***In the Matter of* :**

True-Up of Distribution Business for 1st to 3rd control periods being FY 2006-09, 2009-14 and 20014 to 19 under APERC Regulation No 4 of 2005.

MEMORANDUM OF OBJECTIONS

filed on behalf of

The Federation of Telangana Chambers of Commerce and Industry
(FTCCI)

May it please the Hon'ble Commission :-

1. The notice issued by way of publicaion in the newspaper mentions filing of O.P. Nos 39 to 42 of 2021 by TSSPDCL and O.P. Nos 43 to 46 of 2021 by TSNPDCL. From the Commission's website it was difficult to find the filings because of the manner in which they were put up. The copies available on the Commission's website do not give the O.P. Nos of each of the petitions and it has not been possible for us to ascertain which O.P. No. pertains to which petition.

2. There are also IA Nos 12 to 15 of 2021 filed by TSSPDCL and IA Nos 16 to 19 of 2021 filed by TSNPDCL. There is no such numbers in the documents put up on the web site and it can only be presumed that these are applications to condone delay in filing.

   In addition, the newspaper notice mentions O.P. 20 of 2022 filed by TSNPDCL and O.P. No. 22 of 2022 filed by TSSPDCL. There is no information available as to what these OPs are and we have not been able to locate these OPs on the Commission's website.

   In the circumstances, we proceed on the basis that the O.P. Nos 39 to 41 of 2021 and O.P. Nos. 43 to 45 of 2021 are the true up applications filed by the licensees for the 1st to 3rd control periods respectively. These objections are with these matters relating to the True Up for the 1st to 3rd control period.

3. The objections and submissions made herein are with respect to the particular applications filed by TSSPDCL and the same objections may be treated as being applicable also to the applications filed by TSNPDCL *mutadis mutandis*.

<u>Insufficieny of time and particulars</u>

4. The time allowed for making the submissions is far too short considering that the applications relate to 3 control periods relating to 3 tariff orders. The issues have to be examined in relation to the respective tariff orders. The information given in the applications is scant without compliance with the methodology in the tariff orders and the Regulation. Going into these aspects in detail requires relevant information to be made available by the licensees and also substantial time. The information and time provided is not reasonable or fair. In the circumstances, the submissions made herein may be considered to be preliminary submissions reserving our right to make

further submissions in any extended time that may be allowed or at the time of public hearing.

Gross deficiency of information and necessary particulars

5. The licensees have filed Petitions without the necessary statements and details as required and contemplated by the Regulation. They have not given relevant information with regard to the expenditure vis-à-vis the norms fixed by the tariff order. In the absence of the same, it is not possible for the Objector to evaluate the claim of the licensee. The Petitions require to be dismissed as being vague, bereft of necesssary details and for non-compliance with the requirements of the Regulations.

Scope of the present petitions and consequently the objections

6. The prayer in the petitions is only for approval of the true ups as per the petition. There is no proposal for pass through In any manner to the consumers. In the circumstances, the objections now made are only with regard to the true up of the ARRs.The question of whether and how the admitted true-up amount is to be passed through is considered beyond the scope of the present petitions.

7. In the event that there is any proposal for pass through to the consumers, the consumers are entitled to specific notice thereof so that appropriate objections may be made.

Wilful delay in filing the true up petition

8. In terms of the Regulation, true up for gains and losses arising out of uncontollable items are to filed along with the ARR of year succeding the

relevant year. In the case of the controllable items, the true up is to be with respect to the control period as a whole, and the relevant application for true up ought to be brought before the Commission immediately after the end of the control period.

9. It is stated in the petitions that the true up for the 1st and 2nd control periods was filed for the first time along with the ARRs & FPT for 2016-17. Nothing is stated as to what happened to those true up applications. The Commission appears to have directed filing the true ups for first two control periods and FYs 2014-15 and 2015-16 "so as to issue directions to improve performance of DISCOMs". That appears to been ignored. Eventually the Commision directed filing true ups for the 1st, 2nd, and 3rd control periods on or before 31.12.2020 in the tariff order dated 29.04.2020. That also was not complied with, and the reasons given are nothing but lame excuses.

10. The licensees say that they could not file the true-ups with ARR filings for 2017-18 as they could not ascertain the impact of Uday on the true ups for 2006-07. That was also a mere lame excuse because there is nothing in the present petition also which indicates the impact of Uday.

11. The conduct of the licensees therefore has been to wilfully evade and avoid the exercise of true ups for reasons best known to themselves and wilfully suppressed. In fact the conduct of the lisensees has been to even avoid and evade filing ARRs for reasons best known to themselves and wilfully suppressed so that even annual tariffs are not determined.

12. In the circumstances the delays in filing the petition cannot be excused. Even if the true ups are now carried out for academic and record purposes there cannot be any pass through whatsoever to the consumers with respect to the first three control periods. The IAs for condonation of delay deserve to be dismissed, and consequently the OPs themselves are to be dismissed.

Impact of Uday Scheme

13. The true up petitions do not show the impact of the Uday scheme. The licensees may be directed to specifically provide detais in respect of each of the control periods.

Scope of the Distribution Business ARR & Scope of True-up

14. In terms of Clause 3.3 of the Regulation, the ARR determined for the Distribution Business is the basis for the fixation of the wheeling tariff/charges. So much of the Distribution Business ARR as is relevant to the Retail Supply Business of the licensee is to be considered in the ARR for the Retail Supply Business pursuant to Clause 6.4(b) of the Regulation.

15. In a True-up exercise, such as the one purportedly being undertaken presently, the methodology must necessarily be the same as in the Distribution Tariff Order. There cannot be any variation. It is only the actuals, subject to prudence check, that had to be substituted for the estimates considered in the original Distribution Tariff Order. This is settled law.

16. Clearly the licensees have not projected their true-ups by adopting the settled principle that the true-up is to be carried out on the same methodology as in the tariff order. For each of the control periods the licensees may be directed to furnish the tru-ups on the basis of the same methodology as in the tariff order together with the relevant factual data of the actuals.

Uncontrollable Items

17. The only uncontrollable item in the Distribution Business is “Taxes on Income”. Nothing more needs to said on this item as the deviations stated are marginal and nominal.

<u>Controllable Items</u>

18. With respect to the Distribution Business, the controllable items as per the Regulation are

    (a) O & M expenses,

    (b) RoCE,

    (c) Depreciation and

    (d) Non-Tariff Income.

19. In each of the above cases the licensee has to present the actuals for true-up on the same methodology and basis as in the relevant tariff order. Where norms were the basis of the determination in the relevant item, the same norms are to be applied on the actuals of the relevant variables. For example, if the approved expenditure is on the basis of estimated ckt kms etc, the true up expenditure must be computed on the basis of the actual ckt kms applying the same norm.

20. It is submitted that the classification of expenses as uncontrollable and controllable must be given a purposive meaning and effect in the consumer interest.

    “Controllable” means that it is within the control of the licensee and therefore any losses arising on such items cannot be allowed. Only such parts of excess expenditure on such items as are shown by specific and explicit pleadings and evidence to have been due to uncontrollable force majeure factors can be considered. Otherwise, all losses on controllable items are to the account of the licensee alone and cannot be allowed. On the other hand, if there are gains on any controllable items, the same are subject to sharing or pass through. Share for the licensee in gains ought to be allowed only if the gain has been due to any identifiable efficiency improvement in the working of the utility, and not otherwise. For example, if a gain is the result of not carrying out works which ought to have been carried out, no share ought to be allowed to the icensee on the gains.

21. The Regulation requires the licensee to present a statement of gain/loss against each controllable item after adjusting for any variations on account of uncontrollable factors. The licensees have not complied with the requirements of this Clause.

    The licensees have not pleaded or demonstrated by details or evidence any force majeure circumstances with respect to any of the losses in any controllable item.

22. The submissions hereafter are without prejudice to the aforesaid submissions.

<u>Employees Cost & A&G Expenses</u>

23. For the 1st control period the tariff order discusses the issue but allows only a specified increase year by year. The licensee cannot contend that the Commission disregarded the methodology proposed by it at the time of the tariff order and go on to claim true up on an entirely different basis. The licensee is bound by the tariff order operting as an inviolable budget, and even employee costs are to be controlled by the licensee within the amount approved. The same applies to the 2nd control period.

    For the 3rd control period the tariff order sets out norms irrespective of the actual cost. These norms cannot be varied in a true-up exercise. The employees cost includes all components such as salaries, benefits, pension, leave encashment etc.The norms have to be applied to the actual number of substations, Line ckt.km., DTR, and number of consumers. No details are available in the Petition as to these actuals. The licensees may be directed to furnish the necessary information so as to enable the Objector to evaluate the amount allowable in true-up. Further, the increase in the sub-stations, lines, DTRs etc is also to be limited to the approved increase. Clause 9 of the Regulation provides for, inter alia, a capital investment plan to be approved by the Commission and these are to be adopted for the determination of tariff. Para 36 read with Table 5.16 of the said tariff Order deals with the Investment plan approved. The Hon'ble Commission has already considered the increases in the MYT period and determined the EC&AG expenses according to the norms. Therefore, no increase whatsoever over the approved amounts for each year of the control period can be allowed to the licensees.

On the other hand, if there are gains to the licensees by applying the same methodology, the same are to be passed on to the consumers in the next ARR. No share of gains on this account may be allowed to the licensees as the norms are asset based.

It is re-iterated that allowing additional expenditure over and above that computed as per the norms and the approved capital plan is not permissible in a true-up exercise. It is tantamount to modifying the norm itself which is impermissible in a true-up exercise.

R & M Expenses

24. R&M expenses are also to be allowed only on normative basis.

It is submitted that the GFA itself is not unregulated (please see hereunder under the heading GFA). The GFA to be considered for the purposes of R &

M expenses is the approved Opening GFA as per the approved investment plan or the actual opening GFA whichever is less.

Gross Fixed Assets (GFA)

25. Chapter III of the tariff order for the 3rd control period deals with the approval of the Investment Plan. In para 38, under Table 3.11, the said order clearly directs that "*The Discoms shall strictly adhere to the head-wise investment schedule mentioned in Annexure E while incurring capital investment*." Annexure E to the Order specifies the approved investment for each Discom.

The Hon'ble Commission was mindful of the fact that the investments made by the licensees will have financial consequences on the consumers, and that the investments need to be regulated. Accordingly, the investments were regulated. The Order of the Commission with regard to the investment approved will have to be given effect to; and the licensees will have to themselves bear the brunt of consequences arising out of not complying with the order and direction of the Commission.There is no explanation or details in the Petition with regard to the deviation from the amounts of investments approved by the Commission.

Consequently, the GFA to be considered for all purposes in true up (viz R&M, RRB, depreciation etc) will have to be limited to the approved GFA or the actual GFA whichever is lower.

26. It is necessary also to ascertain the gross value of the assets no longer in use in each financial year and to remove such value from the GFA.

O & M Expenses

27. The O & M expenses, being the aggregate of the Employess Costs, AG Expenses and the R&M expenses will have to be determined in true-up on the basis of the submissions supra.

Regulated Rate Base

28. Regulated Rate Base is defined in Clause 2(o) of the Regulation as the value of GFA net of consumer contribution and accumulated depreciation. However, the RRB for the purposes of computing RoCE in tterms of Clause 15.1 of the Regulation is different. Keeping that anomaly aside, the working capital is taken as part of the RRB_i.

    It is clear from the definition of RRB_{i-1} in Clause 15.1 that the RRB for the i^{th} year is to be determined on the basis of the approved capital investment plan referred to in Clause 16.1. Therefore, the RRB calculation for RoCE has to be on the basis of the GFA as approved in the investment plan or the actual GFA whichever is lower.

    The working capital component WC_i for computation of RoCE is to be computed in true up on the basis of the allowable O&M expenses as submitted supra.

Return on Capital Employed (RoCE)

29. RoCE is to be computed having regard to the submissions supra on the GFA, RRB and working capital.

30. However, it is submitted that any loss of RoCE ought not to be allowed as a pass through to the consumer. It should be borne by the licensee alone. On the other hand, if there is a gain in RoCE, the licensee ought to be declined any share of the gain.

Depreciation

31. It is not clear from the Petitions as to how the depreciation has been computed.

32. Clause 17 requires the methodology as decided by CERC from time to time. It is not clear whether this has been done, or according to which CERC order or what exactly is the method employed. Prima facie, it does not appear that the depreciation has been computed as per the applicable CERC Regulations. MoP guidelines are inapplicable in the teeth of specific provisions in the Regulation. It is also settled law that if the tariff order departs from the Regulation the departure will have to be corrected at the time of true up in conformity with the Regulation.

33. Clause 17.4 provides that Depreciation shall be allowable only from financial year following the financial year in which the asset was first put to use. It is not clear whether this has been done. It is not clear as to what part of the addidtions to fixed assets in a financial year was put to use in the same financial year. In the absence of such necessary information, the amount of depreciation cannot be verified or computed.

34. It is reiterated that the depreciation is to be allowed only on the opening GFA (to the extent the assets have been put to use) or the actual opening GFA (also to the extent the assets have been put to use) whichever is lower. Any gains on this account are only to the share of the consumers.

35. By way of caution, it is submitted that the GFA or depreciation claimed in the audited accounts, which may be in terms of the requirements of the Companies Act, is not relevant in the regulatory context. Also, the treatment of consumer contribution in the audited accounts is not relevant if different from that in the regulatory framework. It is the depreciation as per the Regulation 4 of 2005 that is relevant and applicable.

Special Appropriations – Safety Measures

36. Purchase of safety material such as earth discharge rods etc are normally routine and regular purchase items within the O&M expenses.

37. The object and purpose of the Commission allowing a special appropriation as a one-time measure is to give a quantum leap in safety measures so as to achieve a drastic reduction in electrical accidents and compensations paid for electrical accidents. That objective has not been served as the there is continuous increase in electrical accidents and fatalities. The special appropriations was not utilised. Now again the special appropriation allowed is barely utilised and the object is not served.

38. What the licensees appear to do is to divert routine regular expenditure on safety material from O&M expenses to Special appropriations. That should not be permitted. The amounts stated to have been spent ought to be properly considered as part and parcel of O&M expenses. The entire amount of approved special appropriations ought to be treated as a gain and allowed to be a pass through entirely to the consumers.

Other Expenditure

39. There appears to be diversion from othe heads to this head, the details of which is not clear. If expenses that are properly part of O&M or A&G expenses have been diverted to this acccount, it ought to be excluded altogether. A careful examination of this head of account is necessary. In any case, unless expressly shown by pleadings and evidence that they are due to uncontollable factors, no part of such losses can be allowed.

40. Moreover, Other Expenditure is neither classsified as an uncontrollable item or a controllable item in Clause 10.4, and therefore it is not an item subject to

truing up either in terms of Clause 10.5 to 10.7 or 10.8 of the Regulation. The losses are entirely to be disallowed.

Non-Tariff Income

41. Non Tariff Income is defined in Clause 2(l) of the Regulation. It relates to both distribution and retail supply.

42. The Petitions do not state as to what part of the non-tariff business relates to distribution business and what part relates to retail supply business. It should not be that the licensee can, or does, claim losses in non-tariff income in the true up of both.

Other Submissions

43. The entire approach and content of the Petitions are misconceived, casual and without necessary details or explanations. The Petitions are also not in conformity with the Regulation. Properly, the Petitions ought to be dismissed or returned to the licensees.

44. All Objections taken are without prejudice to one another.

45. We desire to be be heard through counsel at the hearing.

2022 September 30 On behalf of the Objector