

TRANSMISSION CORPORATION OF TELANGANA LIMITED

Annual Performance Review (True-up) for FY 2020-21 of Transmission Business & TSSLDC

Replies of TSTRANSCO & TSSLDC to the Objections & Suggestions of Sri M. Venugopala Rao Senior Journalist, Convener Centre for Power Studies

Sl. No.	Objections/Suggestions	Reply of TSTRANSCO
1	<p>At the outset, I congratulate TSTRANSCO for achieving and maintaining Transco system availability of 99.98 percent and reducing system loss to 2.57 percent. I hope it would continue to improve its performance further on various parameters and win laurels at the national level. Directive No.3 of the Hon'ble Commission in the MYT that the two utilities should submit their true-up claims and annual performance review annually is a step in the right direction.</p>	<p>Suggestive</p>
2	<p>TRANSCO has sought a true-up of Rs.51.29 crore for the year 2020-21 and requested the Hon'ble Commission to consider it by way of special appropriation. TRANSCO has shown a decrease of net operation and maintenance expenditure by Rs.110.99 crore, and of depreciation charges by Rs.32.76 crore that what was approved by the Hon'ble Commission for the year 2020-21. However, it has shown an increase in requirement of return on capital employed by Rs.166.03 crore from Rs.1002.22 crore approved in the tariff order to Rs.1168.25 crore for the reasons explained in its subject petition. TRANSCO has shown decrease of revenue by Rs.27.75 crore and of non-tariff income by Rs.27.75 crore. Based on these variations, it has shown an overall deficit of Rs.51.29 crore. Showing of higher return on capital employed, on the one hand, and lesser revenue, on the other, are antithetical to each other. TRANSCO has to explain the reasons for this dichotomy.</p>	<p>With regard to the objection raised, the following is submitted.</p> <ol style="list-style-type: none">TSTRANSCO has filed Annual Performance Review for FY 2020-21 before Hon'ble TSERC to comply the Directive No.3 of 4th MYT, based on actual figures as per Audited Accounts.Company has claimed Rs.1168.25 Crore towards Return on Capital Employed (RoCE) considering actual Interest & Finance charges (Net) of Rs.840.22 Crore and Return on Equity (RoE) of Rs.328.04 Crore as per Audited Accounts.The total revenue claimed by the company in Annual Performance Review of FY 2020-21 as per Audited Accounts is decreased by Rs.27.75 Crore due to decrease in non tariff income, when compared with the revenue approved by Hon'ble TSERC in 4th MYT Order.A detailed statement showing ARR computation for FY 2020-21 (Tariff Order Vs Actuals) resulting in Deficit/Claim of Rs.51.29 Crore is enclosed hereunder for reference.

3	<p>During the year 2020-21, variations in demand ranged from a maximum of 13688 MW to the lowest 2656 MW. TRANSCO's contracted capacity for the year was 14609 MW, excluding contracted capacity relating to APGPCL, as the DISCOMs decided not to schedule power from this company from February, 2020 onwards. TRANSCO was a share holder in APGPCL. In has not explained as to why its share in APGPCL was transferred to other companies. Does APGPCL not utilize transmission system for evacuation and transmission of power being generated by it? What is the reason for excluding APGPCL from the contracted capacity of TRANSCO? Does this exclusion means TRANSCO has not been collecting transmission charges from APGPCL?</p>	<p>With regard to collection of transmission charges from APGPCL, transmission charges are payable by TSDISCOMs for their contracted capacity from APGPCL as approved in the Transmission Tariff order for the relevant year. Accordingly, transmission charges are being levied on TSDISCOMs for the approved capacity.</p> <p>After bifurcation of united A.P.State, an Expert Committee headed by Dr.(Mrs) Sheel Bhide, IAS (Retd.) was constituted for demerger of united APTRANSCO. The Expert Committee has recommended that the investment in APGPCL had been shown as an asset in the balance sheet of APTRANSCO as on 1st June 2014 (day prior to State bifurcation), and this would constitute a business investment, which was to be allocated on location basis and hence recommended to the State Government that the value of share investment must be apportioned on location basis (where Gas Power Plant of APGPCL is located).</p> <p>The recommendation of the Expert Committee was reportedly approved by Board of APTRANSCO. In pursuance of the above recommendation and also taking into account the shareholding pattern reported in the 30th Annual Report of APGPCL, TSTRANSCO have decided to follow the Expert Committee recommendation in respect of APGPCL Investment and its apportionment to present A.P. State and consequently decided not to avail power from APGPCL with effect from 1st February, 2020 to the extent of earlier allocation of Power made to TSTRANSCO.</p> <p>As such, a letter was addressed to MD/APGPCL with a request not to schedule Power to TSTRANSCO accordingly. Therefore, the share allocation from APGPCL has not considered and the same contracted capacity has excluded in the TSTRANSCO Transmission Tariff Order.</p>
4	<p>TRANSCO has not explained to what extent the contracted capacity was utilized during the year, in light of maintaining system availability of 99.98 percent or to what extent such capacity remained underutilized. Under-utilization of transmission capacity, or over-creation of transmission capacity, is a serious issue taken note of by the Forum of Regulators. If the proposed lift irrigation schemes are not completed in time, capacity of transmission network created to meet requirement of LISs will remain idle, unless utilized for other power being generated and supplied. What is the arrangement with LISs for recovery of transmission charges, in case they have not been completed in time and for not utilizing the transmission capacity created for them?</p>	<p>Transmission charges are not levied on Lift Irrigation Schemes as the Lift Irrigation loads come under consumer category and billed by TSDISCOMs for their energy consumption as per the Retail Supply Tariff Order approved by the Hon'ble TSERC and the transmission charges are already factored in energy charges. Further, transmission charges are levied on Discoms as per the approved capacities of existing and upcoming generation capacities. So any delay in LIS schemes does not affect the revenue of Transco.</p> <p>On request of I&CAD, TSTRANSCO is constructing the Transmission Lines and Substations for extending the Power supply to the Lift Irrigation Pumping Stations with the funds of I&CAD only. The Transmission Lines and Substations were made ready as per the requirement and Time lines of the I&CAD Department, Government of Telangana.</p>
5	<p>While, as per the operating principles of Southern Regional Load Dispatch Centre, permissible grid frequency should be in the range of 49.90 Hz to 50.05 Hz, as per the data given by TRANSCO shows that variations exceeding the minimum and maximum permissible limits were exceeded on certain occasions. TRANSCO has not explained the technical constraints that led to such impermissible variations in maintenance of frequency.</p>	<p>As the frequency is a national phenomenon ("ONE NATION, ONE GRID & ONE FREQUENCY") and as per IEGC Grid Code Clause No. 5.2 (m) "All Users, SEB, SLDCs, RLDCs and NLDC shall take all possible measures to ensure that the Grid frequency always remains within the (49.90-50.05 Hz) band". The variations in frequency is contributed by all the States (Control areas,), Generators and Users in the country which is monitored & controlled in a co-ordinated manner by NLDC, 5 Regional Despatch centres and State SLDC's. Each State has a permissible limit to handle inadvertent Deviation from schedule from the Grid as per the Grid code to maintain the Grid frequency within operating limits. The variations in Demand and Generation is inevitable and</p>

	If TRANSCO has identified the reasons for such variations, what steps it is taking to rectify or avoid recurrence of the same?	<p>variations in frequency also inevitable. All Users are having combined responsibility to ensure their Drawls near to schedule to maintain frequency within Operating Band. However, there are few occasions the frequency may go beyond operating limits mainly due to forced outage of units, sudden variations in Demand, variation of Generation from RE Sources, climate changes and pullout of loads due to faults.</p> <p>These variations are generally being handled by respective control areas by the following methods to ensure frequency within Operating Band.</p> <ol style="list-style-type: none"> Utilization of Hydel Units in Generator/Pump mode. Utilization of Real Time Market (Sale and Purchase). Ramping UP/DOWN of the thermal Units. <p>Further, Special Protection Schemes are devised to control sudden variations in the frequency which are beyond Human limits to maintain Load Generation Balance and in turn frequency.</p>
6	Against a capital cost of Rs.964.22 crore approved by the Commission for works required for lift irrigation schemes, TRANSCO has shown an expenditure of Rs.461.17 crore. At the same time, it has shown an increase by Rs.160.18 crore towards interest and finance charges from Rs.680.18 crore in the tariff order to Rs.840.22 crore. The reasons for increase in interest and finance charges are not explained.	<p>The capital cost incurred towards Lift Irrigation Schemes are being met out of the funds received from Irrigation Department/Consumers.</p> <p>Hence, there is no impact on Interest & Finance charges of TSTRANSCO. (Data enclosed)</p>
7	The total contracted capacity for NCE is shown as 2463.55 MW. Did the TRANSCO collect transmission charges from the NCE units? Is TRANSCO taking generation capacity of NCE units for the purpose of adding transmission capacity? IF so, is it leading to stranding of transmission capacity when no generation from NCE units take place, especially of solar and wind power units during periods of intermittence, daily or seasonally.	<p>TSDISCOMs have entered PPAs with NCE generators and as per the PPAs the transmission charges are payable by TSDISCOMs as the Discoms buy the power at ex-bus of Generators. The contracted capacities towards the same are approved in the Transmission Tariff order and transmission charges are levied on the TSDISCOMs for the approved NCE capacity irrespective of the actual generation.</p> <p>So the question of stranding of transmission capacity does not arise.</p>
TSSLDC Claims		
Sl. No.	Objections/Suggestions	Reply of TSSLDC
1	TSSLDC has shown that its expenditure for the year 2020-21 decreased by Rs.9.38 Crore and revenue by Rs.5.98 crore than what was approved by the Commission. As such, it has shown a surplus of Rs.3.40 crore and sought a pass through i.e., true-down. Despite increase in employees cost by Rs.5.04 crore, SLDC	<p>With regard to objection raised against SLDC claim, the following is submitted:</p> <ol style="list-style-type: none"> SLDC has adjusted/reversed Special Appropriation amount of Rs.8.74 crore as allowed by Hon'ble TSERC in FY 2020-21 under "Other Expenses" relating to 3rd Control Period from Revenue/Operating Charges which is already accounted in the books of SLDC to meet the requirement of Audit. Further, the actual revenue earned by SLDC through Operating Charges for FY 2020-21 is Rs.47.72

	<p>has shown lesser O&M expenditure by Rs.5.75 crore. It has not spent Rs.8.74 crore allowed as special appropriation under other expenses. SLDC also incurred capital expenditure of Rs.1.35 crore only against Rs.4.98 crore approved by the Commission.</p> <p>Revenue from SLDC charges also was lesser by Rs.6.15 crore. The reasons for lesser revenue are not explained, despite SLDC having a contracted capacity of 15883 MW, excluding that of APGPCL, Lesser expenditure by SLDC shows that the proposed expenditure approved by the Commission for the year 2020-21 were on the higher side.</p>	<p>Cre. Whereas, in APR filings for FY 2020-21, an amount of Rs.38.98 Crore shown towards Operating Charges is after adjustment of Rs.8.74 Crore allowed by Hon'ble TSERC by way of Special Appropriation as explained above.</p>
2	<p>I request the Hon'ble Commission to examine the above-mentioned points, among others, and take appropriate decisions.</p>	<p>Submission to the Commission</p>
3	<p>I request the Hon'ble Commission to provide me an opportunity to make further submission during the public hearing on the subject on the subject petition.</p>	<p>Submission to the Commission</p>

AGGREGATE REVENUE REQUIREMENT VS. ACTUALS OF TS TRANSCO FOR FY 2020-21

(Rs. in crores)

Particulars	FY 2020-21		
	Tariff Order	Actuals	Deviation
Expenditure	1984.26	1792.9	-191.36
O&M Costs	1025.51	865.67	-159.84
O&M Carrying Costs	0	0	0
Depreciation	890.54	857.78	-32.76
Taxes	68.21	69.45	1.24
Special Appropriation	0	0	0
Other Expenses	0	0	0
Expenses Capitalized	160.31	111.46	-48.85
IDC Capitalized	0	0	0
O&M Expenses Capitalized	160.31	111.46	-48.85
Net Expenditure	1823.95	1681.45	-142.5
RoCE	1002.22	1168.25	166.03
Gross ARR	2826.17	2849.71	23.54
Non Tariff Income	502.21	444.53	-57.68
Revenue from Tariff	2323.95	2353.88	29.93
Total Revenue	2826.16	2798.41	-27.75
Surplus/(Deficit)	-0.01	-51.3	-51.29

Annexure for Reply to Point No.6

Other Income Earned in Transmission Business for FY 2020-21		
(Rs. In Crores)		
Sl.No.	Particulars	Amount
1	Supervision charges	35.37
2	Contributions towards depreciation on Lift Irrigation Scheme Assets	178.19
3	Amortisation of consumer contributions towards property, plant and	110.01
4	Registration fees	0.08
5	Operating and maintenance/annual maintenance charges	4.93
6	Interest on staff loans and advances	1.66
7 (*)	Interest on loan to TSDISCOMs	71.68
8	Income from investments in bonds and fixed deposits	8.88
9	Interest on investments under contingency reserve	5.20
10	Income from sale of scrap etc.,	1.01
11	Delayed payment charges from consumers	0.00
12	Material cost variance (net)	10.44
13	Fines and penalties collected	6.98
14	Miscellaneous receipts	10.09
	Total	444.53

Note:

(*) This item also shown as Expense in the Books of Accounts for FY 2020-21