

SR NO. 110 of 2021
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**BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY REGULATORY
COMMISSION**

At its office at 5th Floor, Singareni Bhavan, Red Hills, Hyderabad - 500 004



FILING NO. _____/2021

OP NO. 20/2022
CASE NO. _____/2021

In the matter of:

Filing of the Annual Performance Review 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" as adopted by Telangana State Electricity Regulatory Commission vide Regulation No. 1 of 2014 by the Northern Power Distribution Company of Telangana Limited ('TSNPDCL' or 'the Company' or 'the Licensee') as the Distribution and Retail Supply Licensee.

In the matter of:

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

... Applicant

The Applicant respectfully submits as under: -

This filing is made by the **NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED (TSNPDCL)** under clause 19 of the "Andhra Pradesh Electricity Regulatory Commission (Terms And Conditions For Determination Of Tariff For Wheeling And Retail Sale Of Electricity) Regulation, 2005" as adopted by Telangana State Regulatory Commission through its Regulation No. 1 of 2014 for Annual Performance Review for FY2020-21 in compliance to the directive No. 2 (**Annual Performance Review for each year of the 4th Control period**) issued by the Hon'ble TSERC in the Wheeling Tariff Order dated 29.04.2020 for Distribution Business for 4th Control period (FY 2019-20 to FY 2023-24):

1. Annual Performance Review FY 2020-21

1.1 Annual Performance Review FY 2020-21 Summary

The ARR for the 2nd year (2020-21) of 4th Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations for respective heads is given in the table below:

Aggregate Revenue Requirement			Rs. in crore
Particulars	Approved	Actuals (CERC)	Deviations
FY 2020-21			
Operation & Maintenance expenses	2050.87	1999.99	(50.88)
Return on Capital Employed	371.35	268.19	(103.16)
Depreciation	424.81	322.62	(102.19)
Taxes on Income	25.27	0.00	(25.27)
Special appropriations	20.00	19.85	(0.15)
Aggregate Revenue Requirement	2892.31	2610.65	(281.66)
Less: Non-Tariff Income	151.92	156.83	4.91
Net Aggregate Revenue Requirement	2740.39	2453.82	(286.57)
ARR transferred to RSB	2740.39	2740.39	0.00
Net Regulatory Gap True-up/(true-down)	0	(286.57)	(286.57)

There is a deviation in Approved Net Aggregate Revenue Requirement as compared with Actual Net Aggregate Revenue Requirement of Rs. **(286.57)** crores. The reasons for deviations for all the line items contributing to deviations in Net Aggregate Revenue are explained subsequently in the respected line items below.

1.2 Operation and Maintenance (O&M) Expenses

The O&M cost consists the following items:

- Salaries, wages and other employee costs;
- Administrative and General costs including legal charges, audit fees, rent, rates and taxes;
- Repairs and maintenance costs.

The O&M expenses for the 2nd year (2020-21) of 4th Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations for respective heads is given in the table below:

Operation & Maintenance expense Gross			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2020-21			
O&M Gross	2190.52	2045.30	(145.22)
Employee cost	1992.56	1846.61	(145.95)
Admin & General expenses	102.94	118.37	15.43
Repairs & Maintenance	95.03	80.32	(14.70)
Expense capitalized	139.65	45.31	(94.34)
Net O&M expense	2050.87	1999.99	(50.88)
Operation & Maintenance expense Capitalized			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2020-21			
Employee Expenses	132.79	38.52	(94.27)
A&G Expenses	6.86	6.80	(0.06)
Total expense capitalized	139.65	45.31	(94.34)
Operation & Maintenance expense (Net of expense capitalized)			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2020-21			
Employee cost	1859.77	1808.09	(51.67)
Admin & General expenses	96.08	111.57	15.49
Repairs & Maintenance	95.03	80.32	(14.70)
Net O&M expense	2050.87	1999.99	(50.88)

From the above table, it is observed that the Operations and Maintenance expenses are lower than the approval of the Hon'ble Commission by only Rs.50.88 crores for the FY 2020-21 of 4th Control period. In the Tariff Order for the 4th Control period, the Hon'ble Commission approved the normative O&M expenses based on the methodology as approved in the 3rd control period.

1.3 Depreciation Expenses

The depreciation expenses for the 2nd year (2020-21) of 4th Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

Depreciation expenses as per books of account (CERC rates) is given below:

Depreciation			Rs.in crore
Particulars	Approved	Actuals (CERC)	Deviations
FY 2020-21			
Depreciation during the year	424.81	322.62	(102.19)

*Amortised dep. on CC assets is Rs. 93.54 Crore as per books of account

1.4 Return on Capital Employed (RoCE)

The RoCE for the 2nd year (2020-21) of 4th Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations for respective heads is given in the table below:

WACC Calculations				Rs. Crore
Particulars	Opening Balance	Closing Balance	Interest Expenditure	Cost of Debt
FY 2020-21				
Long term capex loans	3486.67	3525.02	262.32	7.48%
Particulars	Approved	Actuals	Deviations	
FY 2020-21				
Debt	75%	75%	0.00%	
Equity	25%	25%	0.00%	
Cost of Debt	9.85%	7.48%	-2.37%	
Return on Equity	14.00%	14.00%	0.00%	
WACC	10.89%	9.11%	-1.78%	

Regulated rate base calculations			Rs. in crore
Particulars	Approved	Actuals (CERC)	Deviations
FY 2020-21			
Assets	9264.62	8606.74	(657.88)
OCFA Opening Balance	7985.35	7887.88	(97.47)

Additions to OCFA	1279.27	718.85	(560.42)
Depreciation	4346.55	4314.84	(31.71)
Opening Balance	3921.74	3992.22	70.48
Depreciation during the Year	424.81	322.62	(102.19)
Consumer Contributions	1276.76	1379.44	102.68
Cons Contributions Opening Balance	1225.05	1254.72	29.67
Additions to Cons Contributions	51.71	124.72	73.01
Deductions to Cons Contributions			-
Working Capital	170.91	166.67	(4.24)
Change in Rate Base	401.38	135.75	(265.62)
Regulated Rate Base	3410.83	2943.36	(467.47)
Return on Capital Employed			Rs. in crore
Particulars	Approved	Actuals (CERC)	Deviations
FY 2020-21			
RoCE	371.35	268.19	(103.16)

The deviations in Regulated Rate Base (actuals against approved) is due to less capitalization in fixed assets compared to approved numbers, i.e. Rs. 1,279.27 crores against approved amount of Rs. 718.85 crores.

1.5 Tax on Income

The Taxes on Income for the 1st year (2020-21) of 4th Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

(Rs. in crores)

Particulars	FY 2020-21		
	Approved	Actuals	Deviation
Tax on Income	25.27	0	(25.27)

The deviations in Taxes on Income (actuals against approved) are due to following reasons:

- TSNPDCL incurred a loss of Rs. 2,441 crores for financial year 2020-21 due to which attracts no Income Tax.

1.6 Special Appropriations

The Hon'ble Commission approved **Rs. 20 Crs.** towards Special Appropriation for Safety Measures the 2nd year (2020-21) of 4th Control Period. The licensee has incurred the following capital works expenses towards safety measures. Accordingly, the

Licensee has spent an amount of Rs. 13.47 Crores towards the above the safety measures. As the expenditure incurred towards safety measures is considered in the capital expenditure, the same has not reflected under this head. The licensee has incurred the following capital works expenses towards safety measures.

- i. Erection of intermediate poles for proper clearance
- ii. Providing of Earthing
- iii. Providing of fencing
- iv. Reconstruction of damaged DTR plinth
- v. Plinth Raisings
- vi. Providing of SMC Distribution boxes
- vii. Providing of foot Cross arms
- viii. Rectification of DTR structures
- ix. Replacement of damaged AB cable
- x. Providing of safety materials viz. Gum boots, Helmets, Safety belt, Earth rods, Gloves etc.

As per the guidelines of the Hon'ble Commission, the compensation paid towards electrical accidents is shown under this head of Special Appropriation. The Special Appropriations for the 2nd year (2020-21) of 4th Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

Special appropriations			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2020-21			
Special appropriations (Compensation amount paid)	20.00	19.85	(0.15)

1.7 Non-tariff income:

The Non-Tariff income for the 2nd year (2020-21) of 4th Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

Non-Tariff Income			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2020-21			
Non-Tariff Income	151.92	156.83	4.91

Detailed break up of Non-Tariff Income is as follows:

(Rs. in Crore)

Sr. No.	Particulars	FY 2020-21
1	Interest on Staff Loans and Advances	0.82
2	Income from Investments	11.52
3	Interest on Advances to Suppliers/Contractors	0.00
4	Security deposits / Bank Guarantee forfeited	0.23
5	Fines/Penalties from Suppliers/Mat Cust.	3.34
6	Other Miscellaneous Income	47.38
	Total	63.29
	Amortised Depreciation on CC assets	93.54
	NTI Total	156.83

Amortized Depreciation on CC assets = Rs. 93.54 Crores

1.8 Capital Investments and Capitalisation

The capital investments for the 2nd year (2020-21) of 4th Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

Capitalization			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2020-21			
Capitalization	1631.32	470.10	(1,161.22)
New Investment	1396.33	401.12	(995.21)
O&M Expenses Capitalised	139.63	45.31	(94.32)
Interest During Construction capitalised	95.36	23.66	(71.70)
Investment capitalized	1279.27	718.85	(560.42)

The capital investments during the year are lower than the approved during FY 2020-21 by Rs. 1,161.22 crores.

1.9 Prayer

The Petitioner (Distribution Licensee) prays that the Hon'ble Commission may:

- Approve Net ARR of **Rs. 2453.82 Crores** for the Distribution Business for the 2nd year (2020-21) of 4th Control Period.
- Approve Revenue gap of **Rs. (286.57) Crores** for the Distribution Business for the 2nd year (2020-21) of 4th Control Period.

**BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY REGULATORY
COMMISSION**

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In the matter of:

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

... Applicant

AFFIDAVIT OF APPLICANT VERIFYING THE ACCOMPANYING PETITION

I, T. Madhusudhan, S/o T. Laxmipathi, aged 57 years, Occupation: Chief General Manager (RAC), TSNPDCL, Hanumakonda, R/o Hanumakonda do solemnly affirm and say as follows:

- 1) I am Chief General Manager (IPC & RAC)/TSNPDCL, I am competent and duly authorized by TSNPDCL to affirm, swear, execute and file this petition.
- 2) I am competent and duly authorized by TSNPDCL to affirm, swear, execute and file this petition.
- 3) I have read and understood the contents of the accompanying Affidavit drafted pursuant to my instructions. The statements made in the accompanying Affidavit now shown to me are true to my knowledge derived from the official records made available to me and are based on information and advice received which I believe to be true and correct.


DEPONENT

**Chief General Manager
IPC & RAC TSNPDCL,
WARANGAL.**

VERIFICATION

The above named Deponent solemnly affirm at Hanumakonda on this 31st day of December, 2021 that the contents of the above Affidavit are true to my knowledge no part of it is false and nothing material has been concealed there from.


DEPONENT

Chief General Manager
IPC & RAC TSNPDCL,
WARANGAL.

Solemnly affirmed and signed before me.


General Manager
IPC & RAC, TSNPDCL
Warangal.