

**The Secretary
Telangana State Electricity Regulatory Commission
11-4-660, 5th floor
Singareni Bhavan, Red Hills
Hyderabad - 500 004**

June 7, 2021

Respected Sir,

Sub : Submission of objections and suggestions on the proposals of Transmission Corporation of Telangana Limited for true-up of net revenue deficit for the year 2019-20 in OP No.13 of 2021 (IA No.6 of 2021) and of TSSLDC in OP No.14 of 2021

With reference to the public notice dated 25.5.2021, inviting suggestions, objections and comments on the proposals of TS Transco and TS SLDC in the subject petitions, am submitting the following points for the consideration of the Hon'ble Commission:

- 1. As directed by the Hon'ble Commission in response to several suggestions, filing and taking up true-up claims and performance review on annual basis, instead of at the end of the five-year control period, is a welcome step for various reasons. It is in the interests of TS Transco, SLDC and consumers of power of the Discoms in the State. Annual review of performance of TS Transco and SLDC by the Hon'ble Commission and holding public hearing on the same will help the utilities to improve their performance, avoid deficiencies, if any, besides providing an opportunity to the Hon'ble Commission to review its regulatory approach in giving its approvals to the proposals of the utilities and improving upon it wherever required based on experience.**
- 2. It is gratifying to note that, during the year 2019-20, TS Transco achieved transmission availability of 99.98% and reduced transmission losses to 2.65% against 2.78% approved by the Hon'ble Commission. I congratulate TS Transco for its achievement and hope that it would continue to excel in its performance in future years also in serving the consumers in the State and win laurels at the national level.**
- 3. While making its claims for true-up under various components, TS Transco did not give break-up of its computations. That information needs to be submitted and examined.**
- 4. In the subject petition, TS Transco prayed the Hon'ble Commission to consider its claim for a net true up for Rs.543.55 crore as special appropriation for the year 2019-20. This is after adjusting Rs.287.59 crore that turned out to be excess out of Rs.546.15 crore (including carrying cost) adjusted by the Hon'ble Commission by way of special appropriation for 2018-19 as per audited accounts for that year while reviewing the claims for the third control period (2014-15 to 2018-19), TS Transco explained. In other words, the Hon'ble Commission had permitted an excess amount of Rs.287.59 crore as special appropriation under true-up to TS Transco for one year, i.e., 2018-19. It shows need for a realistic assessment after receiving**

audited accounts in time. Since the said special appropriation (true-up) for the year 2018-19 was considered by the Hon'ble Commission with carrying cost, the true-down of Rs.287.59 crore also should be considered with carrying cost, i.e., the interest on that amount till it is trued down should be refunded to the Discoms or adjusted for permissible claims of true up of Transco for the year 2019-20 to protect the interest of the consumers of power in a fair way.

5. TS Transco submitted that depreciation charges increased from Rs.747 crore as approved by the Hon'ble Commission for the year 2019-20 to Rs.919.44 crore "mainly on account of difference in depreciation rates considered by TSERC." However, Transco admitted that, as per CERC norms, depreciation charges work out to Rs.839.21 crore. In other words, Transco is claiming an excess of Rs.70.23 crore under depreciation charges as worked out by it, contrary to the direction of the Hon'ble Commission. Transco claim for the excess amount should be disallowed, besides examining the veracity and permissibility of its working out depreciation charges as per CERC norms. The Hon'ble Commission approved the depreciation for the 4th control period considering the rates of depreciation as specified by CERC in its Tariff Regulations, 2019.
6. TS Transco claimed that income tax for the year 2019-20 increased from Rs.61.85 crore permitted by the Hon'ble Commission to Rs.66.77 crore. It needs to be examined whether the increase of Rs.4.92 crore is as per the income tax paid by Transco or simply as per its calculation. What is the actual amount paid towards income tax by Transco for the year 2019-20? TS Transco claimed that tax on income was calculated at current rate Minimum Alternate Tax (MAT) on the return on equity @ 14% on 25% of actual regulated rate base. The veracity and permissibility of the claims of Transco need to be examined.
7. TS Transco claimed that RRB for the year 2019-20 increased from Rs.8346.69 crore approved by the Commission to Rs.9010.73 crore, i.e., an increase of Rs.664.04 crore. It further claimed increase in cost of debt by Rs.85.69 crore, in RoE by Rs.23.25 crore and in RoCE by Rs.108.93 crore vis a vis the amounts approved by the Commission for the same year. For the year 2019-20, the Hon'ble Commission approved a net contract capacity of 14372.63 MW, including 21.25 MW of open access. Based on such a capacity and other applicable parameters, the Hon'ble Commission approved transmission tariff for the 4th control period. For various schemes of transmission network, the Hon'ble Commission approved a capital investment of Rs.2671.87 crore against Rs.3521.67 crore claimed by the utility for the year 2019-20. Whether TS Transco executed the approved works prudently within the limitations of capital investments approved by the Hon'ble Commission and added the approved transmission capacity for that year needs to be submitted work-wise and examined. This is necessary to examine the claim of Transco that revenue from tariff decreased from Rs.1631.92 crore approved by the Commission to Rs.1491.31 crore, i.e., by Rs.140.61 crore, and decide whether the claimed deficit is permissible. TS Transco claimed that the main reason for increase in RoCE is reduction in consumer contributions. Actual reduction in consumer contributions, if

transmission capacities were added as approved by the Commission for the year 2019-20, and the reasons therefor, and concomitant increase in cost of debt and RoE need to be explained by Transco and examined by the Hon'ble Commission.

8. TS Transco claimed that its transmission business income decreased by Rs.194.13 crore, with date for tariff applicability notified by the Commission with effect from 28.3.2020, as a result of which it was unable to recover the approved ARR for 2019-20. The ARR approved by the Commission for the year 2019-20 is Rs.3398.66 crore. Transco claimed a decrease of Rs.140.61 crore in its revenue from tariff for the year 2019-20. What are the components of income from its transmission business and where the deficit occurred need to be explained by Transco and examined by the Hon'ble Commission.
9. TS Transco claimed net O&M expenses of Rs.833.38 crore against Rs.756.61 crore permitted by the Hon'ble Commission for the year 2019-20. The excess of Rs.76.77 crore is on account of "employee terminal benefits," according to Transco. On earlier occasions, we repeatedly made detailed submissions on various petitions of Transco, TS Genco and TS Discoms relating to their claims for true-up under pay revision of their employees as effected, interest and additional interest on pension bonds and expenditure on account of their terminal benefits, etc., pointing out that imposing such additional and avoidable burdens on consumers of power had not been fair, but to no avail. Without repeating those submissions, we once again request the Hon'ble Commission to give a piece of advice to the Government of Telangana State to take over such liabilities to avoid recurrence of imposition of such unfair and avoidable burdens on consumers of power.
10. Even after increase in non-tariff income by Rs.218.68 crore from Rs.296.14 crore approved by the Commission to Rs.514.82 crore, despite increase in revenue from Rs.1928.06 crore approved by the Commission to Rs.2006.13 crore, i.e., by Rs.78.07 crore, reduction of transmission losses to 2.65% against 2.78% approved by the Commission, and adjustment of Rs.287.59 crore excess special appreciation approved for the year 2018-19, the claim of the utility for a true-up of Rs.543.55 crore for the year 2019-20 underlines need for further improving its efficiency.

11. TS SLDC CLAIMS:

- a) TS State Load Despatch Centre claimed a true-up of Rs.2.01 crore for the year 2019-20. While TS Transco showed the net capacity contracted for the year 2019-20 of 14372.63 MW, including capacity of open access, TS SLDC claimed its net capacity contracted for the same year of 15672.73 MW. What is reason for a difference of 1300.10 MW between the contracted capacities of TS Transco and TS SLDC for the same year?
- b) TS SLDC claimed that total expenditure was less by Rs.1.79 crore and revenue from SLDC charges was less by Rs.3.79 crore compared to the amounts approved by the Hon'ble Commission for the year 2019-20. As such a deficit of Rs.2 crore is to be trued up, it claimed. Since the tariff applicable

date was 10.3.2020 as per the order given by the Commission for the 4th control period, SLDC could not collect SLDC operating charges and annual fee for the year 2019-20 as approved by the Commission, it explained. While employee cost (Rs.2.50 crore) and repairs and maintenance expenditure (Rs.0.21 crore) together increased by Rs.2.71 crore than approved by the Commission, administrative and general expenditure decreased by Rs.1.94 crore and other expenses decreased by Rs.1.65 crore. Capital cost also was less by Rs.0.91 crore, SLDC submitted. Despite these reductions and in view of claiming higher contracted capacity and lesser capital expenditure, out of true-up claims of SLDC what is actually permissible needs to be examined as per applicable regulations and norms.

12. I request the Hon'ble Commission to provide me an opportunity to make submissions in person during the public on the subject hearing issue after receiving and studying responses of TS Transco and TSSLDC to my submissions.

Thanking you,

Yours sincerely,

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