

**RESPONSE TO OBJECTIONS/SUGGESTIONS OF STAKEHOLDERS ON THE FILINGS
OF ADDITIONAL SURCHARGE FOR H1 OF FY 2026 – 27**



**SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LTD.
&
NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LTD.**

INDEX

Sl. No.	Name of the Objector	Page No.
1	South Indian Cement Manufacturers' Association	3-6
2	The Federation of Telangana Chambers of Commerce and Industry	

Common Replies to SICMA and FTCCI		
#	Queries	Replies
1	<p>Under clause 8.5.4 of Tariff Policy, 2016 notified by Ministry of Power (MoP) on 28.01.2016 the Additional Surcharge should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded.</p> <p>TGDISCOMs have not conclusively demonstrated of continuous stranded capacity.</p>	<p>In this regard, the DISCOMs have conclusively demonstrated the existence of stranded generation capacity by undertaking a detailed and granular analysis based on 15-minute time-block data. The assessment has been carried out by considering, for each time block, the available generation capacity under long-term and medium-term power purchase agreements, the actual scheduled capacity, and the resulting surplus capacity</p> <p>The surplus capacity identified in each 15-minute time block represents the portion of contracted generation capacity that remained unscheduled and unutilized, despite being available to the DISCOMs and contracted under existing PPAs. Such surplus capacity, when observed consistently across time blocks and over the relevant period, establishes the presence of continuous stranded capacity attributable to reduction in demand and migration of consumers to open access.</p> <p>Accordingly, the DISCOMs have demonstrated stranded capacity on a real-time, time-block-wise basis, which is the most accurate and transparent method for assessing generation backing down and surplus availability. This approach clearly establishes that the contracted capacity continues to remain stranded due to open access transactions, thereby satisfying the requirement laid down under Clause 8.5.4 of the Tariff Policy, 2016.</p> <p>Hence, the contention that the DISCOMs have not</p>

Common Replies to SICMA and FTCCI		
#	Queries	Replies
		conclusively demonstrated continuous stranded capacity is not correct, as the determination is supported by detailed 15-minute block-wise data of generation availability, scheduling, surplus, and resultant stranded capacity.
2	Inclusion of ISTS and STU charges will lead to excessive recovery of revenue by TGDISCOMs and inter-alia result on over burdening of the open access consumer. Further, the embedded open access consumers are also paying STU charges as part of the fixed charges and additionally STU charges on all open access transactions. Hence, ISTS & STU charges should not be considered for computation of Additional Surcharge.	<p>The fixed charges payable by the DISCOMs under long-term and medium-term power purchase agreements inherently include the associated transmission charges viz ISTS and STU charges, which form an integral and inseparable component of the cost of power procurement.</p> <p>It is submitted that the STU charges paid by embedded open access consumers as part of retail tariff are towards network usage for supply under the regulated tariff, whereas the STU/ISTS charges paid on open access transactions are for specific transmission services availed for wheeling power under open access.</p> <p>TGDISCOMs submit that the ISTS and STU charges paid by the Open access consumers availing ISTS & STU system, benefits in reduction of ISTS & STU charges for the state. However, the same benefits are passed on to the consumer by adjustment of transmission charges paid by the open access consumers in the Annual performance review (True-up) petition filed by TGTRANSCO.</p> <p>Accordingly, inclusion of ISTS and STU charges in the</p>

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#	Queries	Replies
		<p>computation of Additional Surcharge is justified, reasonable, and necessary to ensure full recovery of stranded fixed costs legitimately incurred by the TGDISCOMs. The same does not lead to excessive recovery nor does it impose an undue burden on open access consumers.</p>

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#	Queries	Replies
3	<p>Furthermore, it is worthwhile to mention that the Hon'ble Commission by way of Order dated 15.11.2025 had amended the Time of Day (ToD) Tariffs in Telangana. The following observations emanate from the Hon'ble Commission's Order:</p> <ol style="list-style-type: none"> TGDISCOMs have been procuring most expensive power during the period April – September (H1 of FY) since last 3 years particularly FY 2023-24, FY 2024-25 and FY 2025-26 (Para 1.7.15 of the Order). Further, the variance between the day and night time tariffs is significantly high particularly in FY 2025-26. Para 1.7.16 of the referred order indicates that the such variance is in excess of Rs. 1.53/ unit. 	<p>The Hon'ble Telangana Electricity Regulatory Commission (TGERC), by way of an Order dated November 15, 2025, amended the Time of Day (ToD) Tariffs in Telangana to address the mismatch between power availability and demand, aiming to contain revenue loss and reduce dependence on high-cost power purchases.</p> <p>Key observations and amendments emanating from the Order include:</p> <p><i>TGDISCOMs had been procuring expensive power during April-September since FY 2023-24.</i></p> <p><i>The difference between day and night tariffs was notably high, exceeding ₹1.53 per unit in FY 2025-26.</i></p> <p><i>The existing ToD tariff structure cause significant revenue deficits. The amendments were considered necessary to align tariffs with industrial load patterns and average power purchase costs.</i></p> <p>Hence the amendment to the Time of Day (ToD) Tariff during night hours is justifiable.</p>

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4	<p>The above facts demonstrate the following critical points taking into consideration the numbers presented in the instant petition:</p> <p>a. Discom's submission of stranded capacity during H1 indicates that the tied-up power source which remains stranded in uncompetitive to be sourced power from. Therefore, the burden of inefficient power portfolio planning should not be passed onto the consumers. Consumers face double whammy, first by way of higher power purchase cost, and secondly keeping them stranded pushes additional surcharge inhibiting consumers from opting for Open Access.</p>	<p>a. The allegation that stranded capacity during H1 has arisen due to inefficient or uncompetitive power portfolio planning by the DISCOMs is incorrect and misleading. The tied-up power sources were procured in accordance with approved power procurement plans, demand projections, and competitive bidding processes as approved by the Hon'ble Commission.</p> <p>The occurrence of stranded capacity is primarily due to reduction in demand and migration of consumers to open access, which is beyond the control of the DISCOMs, and not on account of inefficiency in procurement. The determination of stranded capacity has been conclusively demonstrated through 15-minute time-block-wise analysis of available, scheduled, and surplus capacity.</p> <p>The contention of a "double whammy" on consumers is unfounded. The Additional Surcharge is a statutory compensatory charge under Section 42(4) of the Electricity Act, 2003, meant solely to offset unavoidable fixed costs of stranded power purchase obligations. It neither penalizes consumers nor inhibits open access, but ensures cost neutrality and protects non-open-access consumers from bearing such fixed costs.</p>

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	<p>b. Since the Hon'ble Commission has abolished the night time consumption incentive, the consumers are expected to shift to day time for consumption of cheaper power. This shall require discoms to increase their tied-up capacity (particularly solar) during the day time and the shift from night time load to day time would possibly result into the base load capacity being idle during the night time pushing additional surcharge even higher.</p> <p>c. Furthermore, the shift in load is expected to result into variance in demand during the day and night further affecting the system (both distribution and transmission) being underutilized again pushing the additional surcharge.</p>	<p>b. It is submitted that the existing portfolio of Power Purchase Agreements (PPAs) entered into by the DISCOMs is adequate and sufficient to meet any shift in demand from night hours to day time, including increased daytime consumption. The DISCOMs are not required to enter into additional long-term capacity tie-ups solely on account of such load shifting.</p> <p>Further, conventional generation sources forming part of the DISCOMs' power portfolio are optimally despatched to meet the system base-load and round-the-clock demand, taking into account technical constraints, merit order operation, and grid requirements. Such conventional sources will continue to be scheduled during night hours and will not remain idle merely due to a change in consumption pattern.</p> <p>c. The distribution and transmission systems are planned and operated to cater to daily and seasonal variations in demand, and shift in consumption pattern between day and night hours do not result in system underutilization. The network continues to be optimally utilized based on overall system demand and load diversity.</p>

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5	In view of the above, it is respectfully submitted that the TG Discoms need urgent overhaul of their power procurement planning incl.ST/MT/LT sources. On account of the above, the claim of Additional Surcharge at this point is not maintainable and ought to be rejected.	<p>5. The power procurement planning of the TGDISCOMs has been formulated in accordance with approved demand forecasts, resource planning studies, and competitive bidding processes, and has been duly examined and approved by the Hon'ble Commission from time to time.</p> <p>The occurrence of stranded capacity, if any, is not a consequence of deficient procurement planning, but arises due to subsequent reduction in demand and migration of consumers to open access, which are factors beyond the control of the DISCOMs. The same has been conclusively demonstrated through 15-minute time-block-wise analysis of available and scheduled capacity.</p> <p>The levy of Additional Surcharge is a statutory compensatory mechanism under Section 42(4) of the Electricity Act, 2003, intended to recover unavoidable fixed costs of existing power purchase commitments that have become stranded. The claim of Additional Surcharge is therefore legally maintainable and fully justified.</p>