

Southern Power Distribution Company of Telangana Ltd (TGSPDCL)



Responses to Objections / Suggestions

On

filings of Power Purchase Cost True-ups for FY 2022-23 in OP No. 58 of 2025 & FY 2023-24 in OP No. 59 of 2025 (b) Power Purchase Cost True-up & Revenue True-up for FY 2024-25 in OP No. 82 of 2025 for their Retail Supply Business

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1. Responses to the objections of Sri. M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, H. No.3-4-107/1,Plot No. 39, Radha Krishna Nagar, Attapur, Hyderabad – 500 048.

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1.	During the FY 2022-23 though power dispatched was lower by 5,240 MU than approved by the Commission power purchase cost increased by Rs. 7,285 Crore. Fixed costs of Central Generation Stations (CGS) increased by Rs. 248 Crore even though actual power dispatched by these CGS is 21.53% less than approved by the Commission, unlike TGGENCO and other thermal power station which had shown lower fixed costs along with lesser power dispatched than allowed by the Commission. Given this contrasting experience fixed costs claimed by CGS needs to be scrutinized.	TGDISCOMs submit that the increase in overall power purchase cost during FY 2022-23, despite lower energy off-take, is primarily attributable to higher variable costs across certain categories. It is also submitted that correlating the quantum of power drawn with fixed costs paid is not appropriate, as fixed costs are contractual obligations meant to be recovered irrespective of energy off-take. So, it is not ideal to draw correlation between quantum of power drawn and fixed costs paid.
2.	According to TGDISCOMs' filings Variable cost of TGGENCO thermal stations increased by 5%, variable cost of CGS increased by 13% and variable cost of Other sources increased by 20%. Though all the coal based thermal power plants face the same fuel price structure and related policies variation in increase in variable costs of these plants is significant. From the TGDISCOMs' filings it is not clear how much of increase in variable cost	TGDISCOMs submit that although coal-based thermal power plants operate under similar fuel pricing structures and policies, the variable cost of generation differs due to plant-specific factors. These include transportation and logistics costs based on plant location, variation in coal source, GCV and Station Heat Rates. Accordingly, the observed variation in the increase of variable costs across TGGENCO stations, CGS, and other sources is attributable to these inherent operational and logistical differences, and not solely due

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	was due to increase in fuel prices, changes in GCV of coal supplied and changes in Station heat rate of these plants.	to changes in fuel prices.
3.	<p>More than 50% of the power purchase cost true up claimed by TGDISCOMs is due to 5,094 MU of power procurement from market sources over and above the limit set by the Commission. TGDISCOMs attributed this higher power procurement from market sources to no power supply from STPP and CSPDCL (Which are part of Other sources). These filings also show that, apart from STPP and CSPDCL, actual dispatch from TGGENCO thermal units and CGS units was 7,591 MU less than the approved quantum. Had this power been dispatched there would have been no need to procure power from market sources. That is given the power supply situation, even in the absence of availability of power from STPP and CSPDCL, there was no need to resort to market purchases to meet power demand in the state. As such TGDISCOMs' claim regarding higher expenditure due to higher procurement of power from market sources shall not be allowed.</p>	<p>TGDISCOMs would like to reiterate the fact that Energy procurement from short term sources is considered for the following reasons</p> <ul style="list-style-type: none"> • Energy supply during hours of deficit (Power requirement > Power availability from generators) • Power purchase cost optimization: TGDISCOMs have considered procurement from short term sources during hours when the Market price is lesser than the Variable cost (VC) of few generating stations with higher VC to optimize the overall cost of power procurement. <p>Here, it is pertinent to note that, the procurement from short term sources for deficit supply is done only when the entire generation capacity is dispatched and the procurement from short term sources for Power purchase optimization is done only by backing down the thermal generators having higher VC than the then existing market (Short term source) prices resulting only in the reduction of overall power procurement cost.</p>
4.	“For the approved short-term purchases of 2171.87 MU in FY 2022-23, the Commission has considered the power	This is the actual cost borne by DISCOM and relevant details are submitted in the filings and This cost was borne by DISCOMs to provide

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	<p>purchase price of Rs.3.30/kWh". (Para 4.5.10, p.129 RST Order of 2022-23). But TGDISCOMs procured power from market sources at an average cost of Rs. 6.53 per unit, which is double the purchase price stipulated by the Commission. We request the Commission to adopt the purchase price of short-term sources as provided in the Tariff Order of FY 2022-23 and shall not allow the high prices claimed by TGDISCOMs.</p>	<p>reliable and continuous power supply to it's consumers and it is important for DISCOM to get this claim. The rate of Rs. 3.30/unit approved in the Tariff Order was only an indicative estimate, whereas actual market prices during the year were significantly higher.</p> <p>The average DAM and GDAM prices during FY 2022-23 were around Rs. 6.10/unit and Rs. 5.75/unit, which, after accounting for losses and charges, translate to landed costs average procurement cost of Rs. 6.53/unit is reasonable and reflects prudent market optimization.</p>
5.	<p>During the FY 2022-23 transmission charges increased by Rs. 857 Crore. TGDISCOMs attributed this to higher payments made to PGCIL. These higher transmission charges may be due to higher market purchases. While assessing the desirability of market purchases vis a vis existing power supply contracts along with market price of power additional transmission cost shall also be taken in to account. Market price along with additional transmission cost shall be compared with variable cost of the units which are sought to be backed down.</p>	<p>TGDISCOMs submit that while assessing the desirability of market purchases vis-à-vis Variable cost of existing PPAs, the comparison is made based on the landed cost of power and not on the standalone market price. The landed cost includes market price of power, transmission charges, losses, and other applicable charges. Accordingly, the decision to resort to market purchases during FY 2022-23 was taken after comparing the landed market price, including additional transmission charges paid to PGCIL, with the variable cost of backing down existing generating units. Market purchases were undertaken only where such landed cost was found to be competitive.</p>
6.	<p>TGDISCOMs are claiming Rs. 2,494 Crore towards miscellaneous charges. No explanation or justification is provided for this expenditure. This claim shall be rejected.</p>	<p>The miscellaneous charges claimed by the DISCOMs for FY 2022-23 include expenses towards– major portion 1142 crs for FY 2022-23 is towards Genco MTR Order and Provision-2022-23, banked energy, IEX</p>

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		<p>Cost adjustments, STOA and LTOA charges, Reactive charges, Deviation charges and other related statutory and operational charges. These charges are incidental to power procurement and grid operations.</p>
7.	<p>TGDISCOMs have requested the Commission to address a letter to the Energy Department, Government of Telangana to extend financial support to TGDISCOMs and arranging payment of Power Purchase True-up amount without passing the burden on the consumers and pass necessary orders as deemed fit. But TGDISCOMs did not mention the statutory/regulatory provisions under which the Commission may do so.</p>	<p>TGDISCOMs submit that the request made to the Hon'ble Commission to address the Energy Department, Government of Telangana, for extending financial support is not sought as a statutory direction, but as a facilitative measure.</p> <p>Section 65 of the Electricity Act, 2003, mentions that if the State Government decides to grant any subsidy, it shall do so and compensate the distribution licensee in advance. The present request is aligned with this provision, seeking Government support to absorb power purchase true-up costs without passing the burden on consumers keeping in view financial viability of DISCOMs and consumer burden.</p>
8.	<p>The state government taking up the responsibility of payment of true up amount implies subsidising all consumers, even those who have the capacity to pay. Electricity consumption of certain categories of consumers is being subsidized on the basis of specific socio-economic considerations. It is not advisable to subsidise all consumers.</p>	<p>TGDISCOMs submit that cross-subsidy mechanisms within the existing tariff structure already address support to socio-economically weaker consumer categories. The true-up costs arise from system-wide power supply obligations and therefore impact all consumers. Restricting Government support only to select categories may result in inequitable treatment of other consumers. Hence, any decision on subsidising true-up amounts requires careful consideration by the State Government and the Hon'ble Commission, balancing consumer benefit and the financial sustainability of the DISCOMs.</p>

2. Responses to the objections of Sri. M. Venugopal Rao, Senior Journalist & Convener, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal , Hyderabad - 500 032.

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1.	<p>Both the DISCOMs have shown market purchases of power as given hereunder:</p> <table><tr><td>Market purchases</td><td>2022-23</td><td>2023-24</td><td>2024-25 (MU)</td><td>Total</td></tr><tr><td></td><td>9404</td><td>9895</td><td>20870</td><td>40169</td></tr></table> <p>The trend of market purchases has been continuing. In their petitions for ARR for 2026-27, the DISCOMs have estimated market purchases of 16329 MU for 2025-26 and projected 14332 MU for 2026-27.</p> <p>The reasons given by the DISCOMs for such market purchases at abnormal level are lesser generation of power by several power projects with whom they had long-term power purchase agreements. But how projections for availability of power, requirement, surplus/deficit, and need for market purchases continued to be made by the DISCOMs and determined by the Commission every financial year are not explained. Similarly, how projections of fixed and variable costs continued to be made by the DISCOMs and determined by the Commission every financial year unrealistically are not explained.</p>	Market purchases	2022-23	2023-24	2024-25 (MU)	Total		9404	9895	20870	40169	<p>TGDISCOMs would like to reiterate the fact that Energy procurement from short term sources is considered for the following reasons</p> <ul style="list-style-type: none">• Energy supply during hours of deficit (Power requirement > Power availability from generators)• Power purchase cost optimization: TGDISCOMs have considered procurement from short term sources during hours when the Market price is lesser than the Variable cost (VC) of few generating stations with higher VC to optimize the overall cost of power procurement. <p>Here, it is pertinent to note that, the procurement from short term sources for deficit supply is done only when the entire generation capacity is dispatched and the procurement from short term sources for Power purchase optimization is done only by backing down the thermal generators having higher VC than the then existing market (Short term source) prices resulting only in the reduction of overall power procurement cost.</p> <p>Also, TGDISCOMs would like to mention that detailed explanation for power purchase cost projections is given in ARR submissions.</p>
Market purchases	2022-23	2023-24	2024-25 (MU)	Total								
	9404	9895	20870	40169								

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2.	<p>The DISCOMs, having maintained that they have sought and got permission of the state government for filing their subject petitions for true-up, have admitted, by implication, that they could not file the true-up petition for each FY in time, because they could not get nod from the government, notwithstanding the other reasons trotted out by them which are unconvincing and untenable. Such impermissible delays in submitting their true-up claims are not in the interests of the DISCOMs and their consumers. The DISCOMs have maintained that “efforts should be made by all the stakeholders involved to reduce such true ups of costs in business-as-usual scenarios. Higher true up costs will have an adverse effect on both the performance of utility (as the gap has to be funded through short term sources) and customers (tariff increases to recover such gaps with carrying costs). This leads to reduced financial capacity of the utility to raise long term finances at competitive rates. Current true ups and the carrying costs have to be borne by customers for future energy procurement.” Therefore, the elements of political exigencies of the party-in-power in getting the true-up petitions to be filed by the DISCOMs delayed abnormally, especially, during the pre-election period, cannot be ruled out. That the Hon’ble Commission has taken up the subject petitions for consideration, calling for objections and suggestions</p>	<p>TGDISCOMs have mentioned detailed reasons for delay in submission of petitions.</p>

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	<p>from the interested stakeholders, implies that it has condoned the delay. If not condoned the delay, what action the Hon'ble Commission would take for the impermissible and abnormal delay in filing the subject petitions is to be seen.</p>	
3.	<p>Though the DISCOMs have submitted, with a request to the Hon'ble Commission to address a letter to the Energy Department, Government of Telangana, to extend financial support to them and arranging payment of True-up amounts, without passing the burden on the consumers and pass necessary orders as deemed fit, their claims for true-up amounts should be subjected to regulatory prudence check to determine their permissibility. When the DISCOMs have admitted that they have got the belated permission of the state government to file the subject petitions, it implies that they have got the permission or direction of the government not to collect the claimed true-up amounts from their consumers. Had they got such a consent from the state government, the DISCOMs should have submitted the same to the Hon'ble Commission categorically. Then, why are the DISCOMs shifting the onus of seeking financial support required from the state government to the Hon'ble Commission? If the state government does not provide the financial support fully to meet requirement of true-up claims of the DISCOMs to the extent the</p>	<p>TGDISCOMs fully agree that all true-up claims are subject to the Hon'ble Commission's regulatory prudence scrutiny. The supporting data and computations have been submitted, and TGDISCOMs will provide any further details the Commission may seek.</p> <p>TGDISCOMs clarify that no instructions have been received from the State Government directing DISCOMs not to recover Commission-permissible true-up amounts from consumers. The reference to "approval of filing of True ups for FY 2022-23 and FY 2023-24 pertaining to RSB" mentioned in filings pertains only to permission to file the petitions.</p> <p>The request to the Hon'ble Commission to address the State Government is made as a facilitative measure and keeping in view financial viability of DISCOMs and possible burden on consumer.</p> <p>TGDISCOMs will abide by the orders of the Hon'ble Commission.</p>

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	<p>Commission determines as permissible, what necessary orders the DISCOMs are expecting from the Hon'ble Commission? What do the DISCOMs mean when they have requested the Hon'ble Commission "to pass any other order as the Hon'ble Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice"?</p>	
4.	<p>The DISCOMs have not provided details pertaining to backing down of thermal power stations and whether market purchases were made when backing down was effected. We request the Hon'ble Commission to examine the following points, among others, relating to the reasons given by the DISCOMs for purchase of abnormal quantum of power in the market and through exchanges:</p> <p>a) For the subject three FYs, details of energy backed down from thermal power stations and fixed charges paid therefor.</p> <p>b) What are the details of availability of power, surplus/deficit as projected by the DISCOMs, determined by the Commission and actual FY-wise for the subject three years.</p> <p>c) The DISCOMs have shown the impact of market purchases as Rs.4030 crore for 2022-23, Rs.4762 crore for 2023-24 and Rs.7216 crore for 2024-25. Average cost per unit of market purchases works out to Rs.6.53 for 2022-23, Rs.5.35 for 2023-24</p>	<p>a) Details of Block-wise, day-wise backing down of respective FYs shared during filings of additional surcharge</p> <p>b) Station-wise energy availability is being submitted in RSB filings every year and commission upon due analysis is approving the same. Details of the same are available in RST order of all three FYs. Block-wise, day-wise actual availability of power is also shared during the computations of Additional Surcharge for relevant periods.</p>

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	<p>and Rs.4.06 for 2024-25. The prices approved by the Commission for the three years against the quantum of market purchases approved by it work out to Rs.3.30, Rs.3.49 and Rs.3.96 per unit for the three FYs, respectively. This variation clearly confirms that prices for purchase of power in the market and through exchanges have been underestimated. The energy to be purchased in the market as approved by the Commission is 2172 MU, 1505 MU and 3198 MU for the three FYs, respectively. As a result, the lion's share of true-up claims for the years 2022-23 and 2023-24 is on account of market purchases at higher prices.</p> <p>d) Dispatch of energy has come down from 78361 MU approved by the Commission to 73121 MU, including market purchases, for 2022-23, from 84156 MU to 78460 MU for 2023-24 and from 84403 MU to 82595 MU for 2024-25. DISCOMs have shown drastic decrease in dispatch of energy from the thermal stations of TGGENCO, central generating stations and others, without explaining the reasons for the same. It needs to be made clear and examined whether the decrease in dispatch has been due to failure of the thermal power stations to declare availability of</p>	<p>c) This is the actual cost borne by DISCOM and relevant details are submitted in the filings and this cost was borne by DISCOMs to provide reliable and continuous power supply to its consumers and it is important for DISCOM to get this claim. The rate of Rs. 3.30/unit approved in the Tariff Order was only an indicative estimate, whereas actual market prices during the year were significantly higher.</p> <p>The average DAM and GDAM prices during FY 2022-23 were around Rs. 6.10/unit and Rs. 5.75/unit, which, after accounting for losses and charges, translate to landed costs of the average procurement cost of Rs. 6.53/unit is reasonable and reflects prudent market optimization.</p> <p>d) The reductions in dispatch from thermal sources is attributable to multiple reasons. During FY 2022-23, higher dispatch from must run stations resulted in backing down of higher VC thermal stations. For the other two FYs, the reduction can be attributed to power purchase optimization activity, wherein market purchases were prioritized whenever the landed cost of market power was lower than the variable cost of these thermal stations. This is supported by the comparatively higher quantum of market purchases during those</p>

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	<p>power at threshold levels of PLF or instructions given for backing down their capacities.</p> <p>e) The DISCOMs have attributed lower generation of power to “overall delay in commissioning of Telangana STPP” of NTPC and “the delay in commissioning of the YTPS plant” of TGGENCO, among others. Did the DISCOMs claim and get any penalties/liquidated damages from such plants for delay in commissioning, thereby leading to avoidable burdens of market purchases additionally?</p> <p>f) The DISCOMs have maintained that the considerable short-term power purchase was considering zero dispatch from SEIL-2 and CSPDCL. There is no explanation as to why there has been zero dispatch from these two plants.</p> <p>g) The DISCOMs have submitted that overall fixed costs have come down by 2% for 2022-23, 8% for 2023-24 and 10% for 2024-26, compared to what were approved by the Commission. It is obvious that such a reduction of fixed costs was offset due to increase in variable costs and other costs.</p>	<p>years.</p> <p>e) At present there are no such provisions to levy penalties in the PPAs with the thermal generating stations to account for delays in commissioning.</p> <p>f) PPA with SEIL-2 expired in October 2023 and Energy dispatch from Chhattisgarh State Power Distribution Company Limited (CSPDCL) has been suspended due to ongoing disputes from FY 2022-23 onwards and the Licensee is currently not scheduling any dispatch from CSPDCL.</p> <p>g) The reduction reflects prudent cost management and optimisation of fixed cost components by the DISCOMs.</p>

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	<p>h)The DISCOMs have explained that, for thermal stations, at the time of issuance of order, the cost assumptions considered by the Hon'ble Commission were provisional, but due to increase in cost of coal, freight, royalty and levy of green cess, the variable cost of thermal stations has increased. However, with the decrease in quantum of power procurement of these stations, the overall variable cost has decreased proportionately, the DISCOMs have explained. For the subject three FYs, the DISCOMs have given the same reasons for increase in variable costs. However, there is no explanation as to when cost of coal, freight, royalty and levy of green cess came into force and whether impact of such increases was projected and considered in determining cost of power purchase for subsequent FYs in the retail supply tariff orders issued by the Commission needs to be explained.</p> <p>i) The DISCOMs have shown miscellaneous charges of Rs.2494 crore for 2022-23, Rs.114 crore for 2023-24 and Rs.200 crore for 2024-25 towards water charges, UI-SRSP/deviation charges, reactive charges, wheeling KPTCL and reactive KPTCL charges. Their permissibility needs to be determined, after subjecting them to prudence check.</p>	<p>h) While TGDISCOMs do consider and project the expected impact of coal and freight costs at the time of ARR filings, these are inherently provisional estimates and actuals vary due to fuel price volatility and statutory revisions. In the subject three FYs, although the per-unit variable cost increased, the overall variable cost outlay reduced proportionately with lower procurement from these stations (merit-order dispatch and demand mix). Variances between approved and actual costs have been captured in the true-up as per regulations.</p> <p>i) The miscellaneous charges claimed by the DISCOMs for FY 2022-23 to FY 2024-25 include expenses towards– major portion 1142 crs for FY 2022-23 is towards Genco MTR Order and Provision-2022-23, banked energy, IEX Cost adjustments, STOA and LTOA charges, Reactive charges, Deviation charges and other related statutory and operational charges. These charges are</p>

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	<p>j) The DISCOMs have shown increase in per unit cost of NCE from Rs.4.27 approved by the Commission to Rs.4.78 for 2023-24 (Rs.184 crore) and from Rs.4.33 approved by the Commission to Rs.4.48 for 2024-25 (Rs.204 crore). The DISCOMs have to explain how did the tariffs for NCE increase, as claimed by them.</p>	<p>incidental to power procurement and grid operations.</p> <p>j) The increase in per-unit cost of NCE for FY 2023-24 and FY 2024-25 is primarily due to shortfall in dispatch of approved low-cost solar power and corresponding procurement from higher-cost sources.</p> <p>For FY 2023-24, around 1,940 MUs of approved solar energy at an average tariff of ₹2.43/unit were not dispatched, while about 1,050 MUs were procured additionally from higher-cost NCE, leading to an increase in the average NCE cost from the approved ₹4.27/unit to ₹4.78/unit.</p> <p>Similarly, for FY 2024-25, about 2,050 MUs of approved solar energy at an average tariff of ₹2.87/unit were not dispatched, and the additional procurement from other higher cost NCEs, resulting in an increase in the per-unit NCE cost from the approved ₹4.33/unit to ₹4.48/unit.</p> <p>Thus, the increase in NCE tariff is attributable to changes in the actual energy mix and dispatch pattern, rather than any revision in approved tariffs.</p>
5.	The DISCOMs have shown additional interest on pension bonds increased/decreased by Rs.1307 crore for 2022-23, -Rs.211 for	The DISCOMs submit that the line item "Additional Pension Liability" has been presented and treated exactly as advised by the Hon'ble

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	<p>2023-24 against Rs.1379 crore approved by the Commission and –Rs.137 for 2024-25 against Rs.1388 crore approved by the Commission. We have been repeatedly submitting to successive Commissions to reject claims of DISCOMs, TRANSCO and GENCO for pension liabilities and direct them to seek the same from the state government for very valid reasons elaborated in our earlier submissions, but to no avail. The Hon'ble Commission, in directive No.24 in RSTO for 2025-26, directed the DISCOMs “to change the nomenclature from “interest on pension bonds” to “Additional pension liability” in subsequent filings. Whether this innovative approach of changing nomenclature would make any material difference, as far as imposing all such burdens on consumers of power, much less justifying imposition of that burden on consumers, is inexplicable, if it is not like rechristening tweedledee as tweedledom.</p>	<p>Commission in Directives. The year-wise variations reflect actual pension-related liabilities and related adjustments.</p>
6.	<p>Compared to the abnormal quantum of market purchases of power being made by the DISCOMs every FY, sale of surplus power is insignificant and unremunerative for the simple reason that surplus power as per the principle of merit dispatch is of higher cost. In the face of projection of availability of abnormal quantum of surplus power every FY by the DISCOMs, purchase of abnormal quantum of power in the market shows:</p>	<p>The DISCOMs respectfully submit that the occurrence of surplus power is not continuous in nature. Such surplus, wherever observed, is only for limited durations, typically for about 2 to 3 hours in a day, arising due to variations in demand pattern, renewable generation profile, and grid balancing requirements. These transient instances of surplus cannot be construed as sustained excess capacity. The DISCOMs submit that power procurement and sale are carried out</p>

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	<p>i) continued failure to ensure balance between demand curve and power mix to the extent technically possible to see that unwarranted surplus/deficit is limited to prudent levels by entering into long-term PPAs with thermal, RE and other power stations prudently.</p> <p>ii) Notwithstanding the claims of the DISCOMs that “they would be making enormous effort to procure power from long term sources”, failures and helplessness at politico-bureaucratic level in the face of delay in execution of power plants with whom the DISCOMs had PPAs and lesser generation and supply of power and avoidable legal litigations that arose as a result of their hasty and imprudent decisions in entering into long-term PPAs, etc. That the trend of availability of generation capacity and projection of surplus power abnormally, even exceeding 5% reserve margin, is continuing is evident from the estimates made for 2025-26 and projections made for 2026-27. Till such imbalances are corrected over a period of time, avoidable burdens would continue to be imposed on the consumers for the failures of commission and omission of politico-bureaucratic and regulatory dispensations, without</p>	<p>based on merit- order dispatch, demand variability, renewable must- run obligations. TGDISCOMs would like to reiterate the fact that Energy procurement from short term sources is considered for the following reasons</p> <ul style="list-style-type: none"> • Energy supply during hours of deficit (Power requirement > Power availability from generators) • Power purchase cost optimization: TGDISCOMs have considered procurement from short term sources during hours when the Market price is lesser than the Variable cost (VC) of few generating stations with higher VC to optimize the overall cost of power procurement. <p>The DISCOMs submit that power procurement planning is carried out primarily to meet projected demand reliably and maintain grid stability. Projections are prepared conservatively to ensure reliability of supply, grid security, and compliance with planning norms, and do not necessarily translate into avoidable financial burden on consumers.</p> <p>The DISCOMs are actively undertaking measures to optimise power procurement by aligning contracted capacity with actual demand, enhancing short-term and market-based procurement, and</p>

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	any accountability.	maximising scheduling flexibility. Further, surplus capacity, wherever available, is being leveraged through power exchanges and other optimisation mechanisms to mitigate fixed cost impact. Over a period of time, as demand growth materialises and procurement strategies are refined, the perceived imbalance between availability and requirement is expected to reduce, thereby minimising any potential burden on consumers.
7.	Unrelated to the contracted capacity, transmission charges, primarily inter-state transmission charges of PGCIL, have been increased by Rs.857 crore for 2022-23, Rs.737 crore for 2023-24 and Rs.199 crore for 2024-25. This is due to the irrational and imbalanced GNA regulations and orders of CERC against which petitions filed before appellate authorities by DISCOMs of some of the states are pending. What role TGDISCOMs are playing to contest the regulations and orders of CERC to protect larger consumer interest?	The TGDISCOMs are actively engaging with the issues arising out of the GNA framework through appropriate regulatory and legal channels. The DISCOMs are closely coordinating with other State DISCOMs and utilities that have challenged the relevant regulations and orders of the Hon'ble CERC before the appropriate appellate authorities. Further, the concerns of TGDISCOMs are being consistently represented before the Hon'ble CERC during stakeholder consultations and proceedings, highlighting the need for a more balanced and usage-linked transmission charge mechanism.
8.	While the energy dispatched has come down from the quantum approved by the Commission, the cost of power purchase has increased for the subject three FYs for the two DISCOMs as given below:	

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	Year	Energy dispatched MU		Difference	Cost of power purchase Rs.cr		Difference
		Approved	Actual		Approved	Actual	
	2022-23	78361	73121	5240	40149	47433	7285
	2023-24	84156	78460	5606	42311	48895	6584
	2024-25	84403	82595	1808	44515	47009	2494
	<p>The following points, among others, need to be examined in view of the above variations:</p> <p>a) Requirement of power is overestimated. As a result, availability of surplus power is underestimated. The above trends confirm that the estimates of the DISCOMs, TGERC and CEA for demand are turning out to be inflated. Hence, a realistic view has to be taken based on ground realities every FY and projections shown in resources plans be revised periodically. It is all the more imperative to take appropriate decisions when new PPAs are entered into and regulatory consents to the same are given.</p> <p>b) Though the overall quantum of power purchase has come down, cost of power purchase has increased. Though overall fixed cost under PPAs in force has come down, variable cost has increased.</p>						<p>a) The DISCOMs submit that power requirement has not been overestimated but has been assessed prudently to meet projected demand and ensure grid stability, which are statutory obligations. While instances of surplus power may arise in certain periods, these are mainly due to seasonal demand variations, renewable energy intermittency, inflexibility of long-term PPAs, and changes in actual consumption patterns, and not because of inflated demand estimates.</p> <p>b) Though the overall quantum of power purchase has reduced, the total cost has increased mainly due to higher variable costs, driven by escalation in fuel prices, freight charges etc., Details of plant wise energy quantum and costs has been submitted.</p>

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>c) Need for market purchase, as well as its cost, is underestimated.</p> <p>d) As a result of unrealistic estimates and determination of various elements of variable costs, and abnormal increase in market purchases, true-up claims also have emerged abnormally.</p> <p>e) Such unrealistic estimates – overestimation of demand for power and underestimation of availability of power and surplus - have reduced need for subsidy from the government, especially, when the latter has decided not to enhance tariffs, but are leading to claims for true-up abnormally.</p> <p>f) Prices paid for market purchases need to be examined unit-wise and month-wise, not on an average per unit, to ascertain their permissibility. It also needs to be examined whether market purchases are made when power is available from sources under</p>	<p>c) The DISCOMs submit that market purchases were undertaken during time-blocks when market prices were relatively low, taking advantage of lower market prices. Such opportunities arise based on real-time market conditions, and hence the requirement and cost of market purchases cannot be accurately predicted in advance. Market prices are highly volatile and depend on multiple factors such as demand-supply balance, fuel prices, renewable generation, and grid conditions.</p> <p>d&e) The DISCOMs submit that true-up claims have increased mainly due to uncontrollable variations in fuel costs, market prices, renewable intermittency, and real-time demand–supply conditions. Projections were made based on the best information available at the time of ARR filing, and deviations are inherent in the system. True-up is a regulatory mechanism to reconcile such differences, not a result of unrealistic estimation. True-up claims arise from actual cost variations and are independent of subsidy decisions, all of which remain subject to prudence check by the Hon'ble Commission.</p> <p>f) The DISCOMs iterates that market purchases are based on real-time prices, demand requirements and is generally opted only when landed cost is less than variable cost of existing stations..</p>

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>PPAs in force by backing the latter and paying fixed charges for the same. It is to be examined whether surplus power when it is available is not required to meet demand. It is all the more necessary to examine these aspects, especially in the light of the claims made by the CMD of TGTRANSCO last year, claiming savings on account of backing down thermal power and purchasing power in the market. A copy of the statement is enclosed. However, in the subject petitions, the DISCOMs have not claimed or shown any savings on account of purchasing power in the market and through exchanges abnormally.</p> <p>g) The continuing trend of making market purchases abnormally, even while projecting availability of abnormal quantum of surplus power every FY, and its implications need to be analysed in detail and corrective steps be taken to arrest such an unwarranted trend.</p>	<p>g) The DISCOMs respectfully submit that the occurrence of surplus power is not continuous in nature. Such surplus, wherever observed, is only for limited durations, typically for about 2 to 3 hours in a day, arising due to variations in demand pattern, renewable generation profile, and grid balancing requirements.</p> <p>As submitted above, market purchases are made for two reasons, one to meet deficit and other for power purchase optimization.</p>
9.	<p>Though dispatch of energy has come down vis a vis what is determined by the Commission in the RSTOs, revenue on sale of power has decreased/increased vis a vis what is determined in the</p>	<p>TGDISCOMs submit that sales are recognized as uncontrollable item in MYT Regulation No. 2 of 2023. Although, overall sales of energy have deviated from the approved quantum by the Hon'ble</p>

S.No.	Summary of Objections / Suggestions	Response of the Licensee																														
	<p>RSTOs for two FYs as given below:</p> <table><tr><th>DISCOM</th><th>Year</th><th colspan="2">Revenue in Rs.cr.</th><th>Difference</th></tr><tr><td></td><td></td><th>Approved</th><th>actual</th><td></td></tr><tr><td>SPDCL</td><td>2023-24</td><td>34124.16</td><td>31788.7</td><td>2335.45</td></tr><tr><td></td><td>2024-25</td><td>34108.22</td><td>34304.12</td><td>-195.90</td></tr><tr><td>NPDCL</td><td>2023-24</td><td>9086.15</td><td>8973.67</td><td>113.48</td></tr><tr><td></td><td>2024-25</td><td>9139.59</td><td>9742.56</td><td>-602.97</td></tr></table> <p>If supply of power exceeds to categories of consumers who provide cross-subsidy increases and to subsidized consumers decreases, then revenue on sale of power to the DISCOMs increases vis a vis what is determined in the RSTOs and vice versa. Therefore, the DISCOMs have to give details of actual sales and revenue category-wise and slab-wise to substantiate their claims. Unrealistic estimates of demand for power by various categories of consumers lead to variations in revenue, thereby distorting estimates of revenue requirement, revenue deficit, need for subsidy from the government and/or tariff revision, later leading to claims for true-up/true-down</p>	DISCOM	Year	Revenue in Rs.cr.		Difference			Approved	actual		SPDCL	2023-24	34124.16	31788.7	2335.45		2024-25	34108.22	34304.12	-195.90	NPDCL	2023-24	9086.15	8973.67	113.48		2024-25	9139.59	9742.56	-602.97	<p>Commission in the Retail supply tariff orders (RSTOs), the impact on revenue from sale of power is primarily driven by the change in the mix of sales wrt consumer categories.</p> <p>In FY 2023-24, sales in cross-subsidized categories exceeded the approved levels, while sales in major cross-subsidizing categories are less than approved sales. This change in sales mix impacted revenue realization.</p> <p>The DISCOMs submit that the category-wise details of actual sales and revenue are duly reflected in the Annual Audited Accounts and are also made available on the official website.</p>
DISCOM	Year	Revenue in Rs.cr.		Difference																												
		Approved	actual																													
SPDCL	2023-24	34124.16	31788.7	2335.45																												
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NPDCL	2023-24	9086.15	8973.67	113.48																												
	2024-25	9139.59	9742.56	-602.97																												
10.	<p>The DISCOMs have submitted that “it is pertinent to mention that the licensee had prayed before the Hon'ble Commission at various junctures to include the impact of supply of 24 hrs agricultural sales in the relevant regulations or review the approved sales viz., Review petition filed by the licensees on Tariff Order for FY17-18</p>	<p>The DISCOMs submit that the additional expenditure incurred for supply of power to agricultural consumers or any other category of consumers in excess of the quantum approved in the RSTOs is required to be considered under true-up, as it represents a variation between approved estimates and actuals, which is precisely the</p>																														

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>and Petition filed for Amendment to Regulation 4 of 2005.</p> <p>However, the same has been declined by the Hon'ble Commission stating that submissions of the TGDISCOMs would be treated as suggestion/input as and when the Commission initiates the process of adding to or amending or varying regulation.” NPDCL has further contended that it is facing a loss due to purchase of additional energy in order to meet the unanticipated demand from agricultural consumers, which the licensee requests the Hon’ble Commission to approve so that the licensee is not financially burdened unnecessarily. In any case, the DISCOMs have to claim additional subsidy for purchasing additional power in the market to meet demand of agricultural consumers exceeding the quantum of power determined by the Commission in the RSTOs. The additional expenditure incurred by the DISCOMs for supply of power to agriculture, determined by the Commission in the RSTOs and supplies exceeded by the DISCOMs, should not be clubbed with additional expenditure incurred for non-agricultural consumers in the overall true-up claims being made by the DISCOMs.</p>	<p>purpose of the true-up mechanism.</p> <p>During the year, the actual agricultural demand exceeded the levels approved by the Hon’ble Commission. This increase was on account of higher-than-anticipated agricultural consumption, which could not be accurately foreseen at the time of tariff determination due to uncertainty in monsoon conditions. While the projections submitted by the TGDISCOMs in the ARR filings were broadly aligned with the eventual actuals, the Hon’ble Commission approved demand only up to a limited extent. As these projections have subsequently materialised during the year, the corresponding costs are required to be duly considered and allowed through the true-up process.</p>
11.	<p>We request the Hon’ble Commission to examine the above-mentioned points, among others, and issue its orders after prudence check of the claims of the DISCOMs, directing the latter to seek and get financial support from the state government for</p>	<p>The DISCOMs respectfully submit that all true-up claims placed before the Hon’ble Commission are based on audited accounts in accordance with the applicable regulations. The DISCOMs will abide by the orders of the Hon’ble Commission keeping in view consumer</p>

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	their true-up claims for the subject period as approved by the Commission. We also request the Hon'ble Commission to explore the ways to avoid or reduce scope for true-up claims to the extent possible in its regulatory process and direct the DISCOMs on how to make realistic projections, besides being prudent in entering into long-term PPAs and giving regulatory consents to the same to ensure balance between demand curve and power mix to the extent technically prudent.	<p>interest and sector sustainability.</p> <p>With regard to minimising the scope of future true-up claims, the DISCOMs submit that true-ups arise largely due to factors that are uncontrollable and uncertain at the time of tariff determination, such as fuel prices, power market conditions, demand variability, renewable generation profile, hydrological conditions, and regulatory changes at the central level. Notwithstanding these limitations, the DISCOMs are continuously improving the robustness of demand and cost projections using historical trends, improved forecasting tools.</p>

3. Responses to the objections of Sri. I. Gopinath, Chief Executive Officer, SOUTH INDIAN CEMENT MANUFACTURERS' ASSOCIATION, Administrative Office: 3rd Floor, 36th Square, Plot no. 481, Road no. 36, Jubilee Hills, Hyderabad - 500034, Telangana, India | Phone: 040-35163394.

S.No.	Summary of Objections / Suggestions	Response of the Licensee
1.	Requested the Hon'ble Commission to extend the deadline for submission of our comments/suggestions from 31st January 2026 to 15th February 2026.	Request for time extension consideration is under the purview of Hon'ble TGERC.

4. Responses to the objections of Sri. Ramisetty Venkata Subba Rao, H.No.12-13-657, Lane No.1, Street No.14, Nagarjuna nagar, Tarnaka, Secunderabad – 500017.

S.No.	Summary of Objections / Suggestions	Response of the Licensee																								
1.	<p>Section 2: Fuel Cost Adjustment (Fca) Mechanism – Systematic Non-Compliance,</p> <p>Regulation: MYT Regulation No. 2 of 2023, Clauses 13.1–13.12</p> <p>Core Requirement vs. TGSPDCL Conduct</p> <table><tr><th>Requirement</th><th>Regulation</th><th>Mandate</th><th>TGSPDCL Status</th></tr><tr><td>Monthly FCA Computation</td><td>Clause 13.1–13.3</td><td>Compute monthly; cap ±₹0.30/kWh</td><td>NOT IMPLEMENTED</td></tr><tr><td>Publication Timeline</td><td>Clause 13.3(d)</td><td>Within 45 days of month-end</td><td>NOT PERFORMED</td></tr><tr><td>Billing Integration</td><td>Clause 13.8</td><td>Levy in month N+3 billing</td><td>NOT APPLIED</td></tr><tr><td>True-Up Precondition</td><td>Clause 13.11(c)</td><td>Cannot claim FCA if true-up not filed</td><td>CIRCUMVENTED</td></tr><tr><td>Disallowance Clause</td><td>Clause 13.3(d)</td><td>Late FCA disallowed from pass-through</td><td>IGNORED</td></tr></table> <p>TGSPDCL's Systematic Failure</p> <p>No Monthly FCA Levy: TGSPDCL has NOT computed, published, or levied monthly FCA as required. Instead, it seeks to recover accumulated fuel/power purchase variations through True-up petitions filed years after year-end.</p> <p>No Contemporaneous Publication: FCA amounts are NOT published within 45 days of month-end. Delay renders historical FCA claims inadmissible per Clause 13.3(d).</p>	Requirement	Regulation	Mandate	TGSPDCL Status	Monthly FCA Computation	Clause 13.1–13.3	Compute monthly; cap ±₹0.30/kWh	NOT IMPLEMENTED	Publication Timeline	Clause 13.3(d)	Within 45 days of month-end	NOT PERFORMED	Billing Integration	Clause 13.8	Levy in month N+3 billing	NOT APPLIED	True-Up Precondition	Clause 13.11(c)	Cannot claim FCA if true-up not filed	CIRCUMVENTED	Disallowance Clause	Clause 13.3(d)	Late FCA disallowed from pass-through	IGNORED	<p>TGDISCOMs are diligently adhering to the current MYT regulations 1 of 2023 in calculating FCA and will continue do so. The TGDISCOMs have addressed letters to the GoTG for approval for collection of FCA amount regularly every month as per the provisions in the MYT Regulation.</p> <p>TGDISCOMs have clearly stated in their submissions that no Power Purchase true-up is being claimed for FY 2023-24 and FY 2024-25, and have requested the Hon'ble Commission to pass necessary orders accordingly. This clearly demonstrates the TGDISCOM's adherence to the regulatory framework and compliance with the directions of the Hon'ble Commission.</p> <p>It is further submitted that as per regulations, Power Purchase true-up for FY 2022-23 is allowed since disallowance based on FCA levying is not applicable for FY 2022-23.</p> <p>If the Hon'ble commission updates/modifies to the treatment of FCA, DISCOMs shall abide by the directions of the Hon'ble Commission.</p>
Requirement	Regulation	Mandate	TGSPDCL Status																							
Monthly FCA Computation	Clause 13.1–13.3	Compute monthly; cap ±₹0.30/kWh	NOT IMPLEMENTED																							
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S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>Ex-Post True-Up Substitution:</p> <ul style="list-style-type: none"> • FY 2022-23 variations sought via True-up filed 2025 (3 years after year-end) • FY 2023-24 variations sought via True-up filed 2025 (2 years after year-end) • FY 2024-25 variations sought in FY 2025-26 ARR without real-time FCA filings <p>Commission's Earlier Warning: TGERC RST Order FY 2025-26, paras 3.3.8–3.3.11 explicitly noted concerns and rejected lump-sum FCA filings for non-compliance with stipulated timelines.</p> <p>Blocked FCA Recovery Impact:</p> <ul style="list-style-type: none"> • FY 2022-23: ₹150–200 Cr unrecovered • FY 2023-24: ₹120–180 Cr unrecovered • FY 2024-25: ₹100–150 Cr unrecovered • Total Blocked FCA: ₹370–530 Crore now improperly attempted to be loaded into FY 2026-27 ARR <p>Recommendation: TGERC must:</p> <ol style="list-style-type: none"> 1. Suspend acceptance of all lump-sum fuel/variable cost adjustments claimed outside FCA mechanism 2. Direct immediate operationalization of monthly FCA levy effective January 2026 3. Disallow ₹370–530 Crore cumulative FCA backlog from FY 	

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	2026-27 ARR 4. Require TGSPDCL to establish automated monthly FCA computation and publication system	

5. Responses to the objections of Sri. T. Harish Rao, MLA, 33-Siddipet Assembly Constituency & Deputy Floor Leader, BRSLP.

S.No.	Summary of Objections / Suggestions	Response of the Licensee
1.	<p>True-Up Is Not An Automatic Pass-Through-Settled Law</p> <p>TGSPDCL has filed the present Petition seeking approval of Power Purchase Cost (PPC) and Revenue True-up for FY 2024-25. The magnitude of deviations claimed once again reflects serious deficiencies in demand forecasting, resource planning and power procurement strategy.</p> <p>It is respectfully submitted that: True-up is not a matter of right and cannot be allowed mechanically. True-up is intended only for uncontrollable and unforeseeable variations, and not for inefficiencies, avoidable deviations or planning failures.</p> <p>Repeated large true-up claims over successive years demonstrate systemic inefficiency rather than uncontrollable events.</p> <p>Hon'ble APTEL has consistently held that true-up cannot be used to compensate inefficiency or imprudent expenditure.</p>	<p>The DISCOM respectfully submits that true-up is not claimed as an automatic pass-through, but as a regulatory reconciliation mechanism for uncontrollable and unforeseeable variations, subject to the prudence check of the Hon'ble Commission. TGDISCOMs submit that variation in fuel cost is recognized as uncontrollable item in MYT Regulation No. 2 of 2023.</p> <p>The deviations in PPC and revenue for FY 2024-25 are mainly due to fuel cost variations, market price fluctuations, renewable intermittency, and real-time demand–supply conditions, all of which are beyond the control of the DISCOM. Projections in the ARR were made based on the existing prices available at the time of filing. Deviations are inherent and do not indicate inefficiency or planning failure.</p>

S.No.	Summary of Objections / Suggestions	Response of the Licensee
		It may be noted that Hon'ble APTEL has upheld cases where true-up was claimed by the licensee after following the due scrutiny and prudence check.
2.	<p>Failure Of Prudence Check Under Section 62 Of The Electricity Act, 2003</p> <p>The Hon'ble Supreme Court in UP Power Corporation Ltd. vs NTPC (2011) 12 SCC 400 has mandated that Regulatory Commissions must ensure:</p> <ul style="list-style-type: none"> • Least-cost power procurement • Protection of consumer interest • Exclusion of avoidable and imprudent costs <p>TGSPDCL has failed to establish that power procurement during FY 2024-25 was carried out on a least-cost basis or that adequate mitigation measures were adopted to control costs.</p>	<p>TGDISCOMs submit that all Power Purchase Agreements were entered only after approval of the Hon'ble Commission.</p> <p>TGDISCOMs procured the power from existing contracted sources which was approved by the Hon'ble Commission in the Tariff order for FY 2024-25.</p> <p>TGLSDC ensures that the scheduling & dispatch of power are completely adhered to as per the State Grid Code issued by Hon'ble TGERC.</p>
3.	<p>Excessive Short-Term Power Procurement Imprudent And Disallowable</p> <p>The Petition reveals continued excessive dependence on short-term and market-based power procurement during FY 2024-25. The Objector submits that:</p> <p>Short-term market power is the costliest source and should be resorted to only as a last option.</p>	<p>TGDISCOMs would like to reiterate the fact that Energy procurement from short term sources is considered for the following reasons</p> <ul style="list-style-type: none"> • Energy supply during hours of deficit (Power requirement > Power availability from generators) • Power purchase cost optimization: TGDISCOMs have

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	<p>Repeated recourse to short-term procurement indicates chronic failure in long-term power planning and demand forecasting. TGSPDCL has failed to demonstrate that all cheaper long-term, tied-up and internal sources were fully exhausted prior to resorting to market purchases. As held by Hon'ble APTEL in multiple judgments, avoidable short-term power procurement arising out of planning failure is imprudent and cannot be allowed for pass-through to consumers.</p>	<p>considered procurement from short term sources during hours when the Market price is lesser than the Variable cost (VC) of few generating stations with higher VC to optimize the overall cost of power procurement for the benefit of consumers.</p> <p>Here, it is pertinent to note that, the procurement from short term sources for deficit supply is done only when the entire generation capacity is dispatched and the procurement from short term sources for Power purchase optimization is done only by backing down the thermal generators having higher VC than the then existing market (Short term source) prices resulting only in the reduction of overall power procurement cost.</p>
4.	<p>Variable Cost Escalation-Commercial Risk:</p> <p>TGSPDCL has attributed increased PPC to escalation in variable cost on account of coal price increase, freight, royalty, green cess and forex variation.</p> <p>It is submitted that:</p> <p>Fuel price and forex risks are known commercial risks inherent to thermal power procurement.</p> <p>TGSPDCL has not placed on record any evidence of fuel optimization, coal blending, alternate sourcing, hedging or cost-minimization efforts.</p>	<p>While TGDISCOMs factor in and project the likely impact of coal and freight costs at the time of ARR filings, such projections are necessarily provisional in nature. Actual costs vary on account of fuel price volatility and statutory revisions. Accordingly, the differences between approved and actual costs have been accounted for through the true-up process in accordance with the regulations of the Hon'ble Commission, and the true-up mechanism does not constitute an automatic pass-through.</p>

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>Automatic pass-through of such escalation defeats tariff certainty and consumer protection.</p> <p>Hon'ble APTEL has categorically held that fuel price risk is not an automatic pass-through and must be subjected to prudence scrutiny.</p>	
5.	<p>Merit Order Violation and Sub-Optimal Dispatch</p> <p>The Petition indicates deviations in generation mix and scheduling during FY 2024-25.</p> <p>The Objector submits that:</p> <p>Cheaper sources such as hydel and allocated CGS power were not optimally utilized.</p> <p>Costly thermal and market power was procured without adequate justification.</p> <p>Failure to adhere to merit order principles and optimal scheduling disentitles the utility from recovery of excess costs, as held by Hon'ble APTEL.</p>	<p>TGDISCOMs respectfully submit that merit-order principles were duly followed during scheduling considering cheaper sources as well as for the computation of true-up for FY 2024-25.</p> <p>The station-wise costs referred to by the Objector are summary outcomes and not indicators of dispatch sequence. They do not imply any deviation from merit-order dispatch.</p> <p>Procurement from the power market was resorted to only in limited and justified circumstances:</p> <p>(i) to meet unavoidable supply deficits such as renewable intermittency, and</p> <p>(ii) for cost optimization, where the landed cost of market purchases was lower than the variable cost of available generating stations.</p>
6.	<p>24x7 Agricultural Supply - State Policy Cost</p> <p>TGSPDCL has once again cited 24x7 agricultural supply as a contributing factor for increased PPC and revenue gap.</p>	<p>The DISCOMs submit that the additional expenditure incurred for supply of power to agricultural consumers and other consumer</p>

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	<p>It is respectfully submitted that:</p> <p>24x7 free or subsidized agricultural supply is a State Government policy decision.</p> <p>Financial implications of such policy must be fully compensated by the State Government through explicit budgetary support.</p> <p>Such costs cannot be passed on to consumers through tariff, true-up or regulatory assets.</p> <p>This principle has been consistently upheld by the Hon'ble Supreme Court, Hon'ble APTEL and this Hon'ble Commission</p>	<p>categories, over and above the sales quantum approved in the RSTOs, is required to be addressed through true-up, as the same represents a deviation between approved and actual sales.</p> <p>The DISCOMs have adhered to the policy directions of the Government of Telangana in ensuring 24x7 power supply to agricultural consumers, and the consequent increase in agricultural consumption is not within the control of the licensees.</p> <p>In view of the above, the DISCOMs request the Hon'ble Commission to approve the actual agricultural sales and the related true-up costs.</p>
7.	<p>Revenue True-Up Claim - Strict Scrutiny Required</p> <p>TGSPDCL has sought approval of Revenue True-up for FY 2024-25.</p> <p>The Objector submits that:</p> <p>Revenue deviations largely arise from inaccurate demand estimation, category-wise migration, billing inefficiencies and collection shortfall.</p> <p>Revenue risk is inherent to the retail supply business and cannot be entirely socialized.</p> <p>Before approving any revenue true-up, the Commission must examine billing efficiency, collection efficiency, demand projections and tariff design</p>	<p>The revenue variation is primarily attributable to changes in the category-wise sales mix. After due process, the Hon'ble Commission has allowed the revenue true-up/ true-downs attributable to variation in sales mix, since sales mix variation is outside the control of the licensee.</p> <p>For FY 2024-25, the revenue position indicates a revenue true-down, as the actual revenue earned is higher than the revenue approved by the Hon'ble Commission. Accordingly, the DISCOMs are not seeking any additional recovery; instead, the excess revenue is proposed to be passed on to consumers or adjusted against other true-up claims, which is beneficial to consumers at large.</p>

S.No.	Summary of Objections / Suggestions	Response of the Licensee
8.	<p>COMMISSION CANNOT ACT AS A CONDUIT TO GOVERNMENT</p> <p>Any prayer seeking direction to the Hon'ble Commission to approach the State Government for funding is legally untenable. The Commission is an independent statutory authority and cannot be used as a conduit between the Licensee and the Government for financial support.</p>	<p>The DISCOMs respectfully submit that the prayer is not intended to seek any direction requiring the Hon'ble Commission to act as a conduit for securing financial assistance from the State Government. The submission is only to highlight that, in terms of the prevailing policy framework and past practice, certain costs—particularly those arising from policy directives or factors beyond the control of the licensees—are appropriately addressed through State Government support.</p> <p>The Hon'ble Commission, while exercising its independent statutory functions, has the authority to recognize such policy-related costs and indicate the appropriate mechanism for their recovery, including through budgetary support from the State Government, wherever applicable. The prayer, therefore, neither impinges upon the independence of the Hon'ble Commission nor seeks to alter its statutory role, but is merely aimed at ensuring that the financial burden on consumers is minimized and that costs attributable to policy decisions are addressed through the appropriate institutional mechanism.</p>
9.	<p>TELANGANA-SPECIFIC REGULATORY PRECEDENTS</p> <p>The Hon'ble TGERC and the erstwhile APERC have consistently held that:</p>	<p>The objections raised have already been addressed in the foregoing submissions.</p>

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>Imprudent power purchase costs are not admissible for pass-through.</p> <p>Policy-driven subsidies must be compensated by the Government.</p> <p>True-up is not meant to neutralize inefficiencies.</p> <p>These binding precedents squarely apply to the present Petition for FY 2024-25</p>	
10.	<p>CONSUMER INTEREST - PARAMOUNT CONSIDERATION</p> <p>Section 61(d) of the Electricity Act mandates safeguarding consumer interest. Allowing repeated large true-ups will:</p> <p>Cause tariff shock</p> <p>Inflate regulatory assets and carrying cost</p> <p>Penalize consumers for inefficiencies beyond their control</p>	<p>The licensee submits that consumer interest and recovery of prudently incurred costs needs to go hand-in-hand. Electricity Act recognizes this principle –</p> <p>Section 61 (d): “The Appropriate Commission shall, subject to the provisions of this Act,……</p> <p>specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely ...</p> <p>(d) safeguarding of consumers’ interest and at the same time, recovery of the cost of electricity in a reasonable manner”;</p> <p>Hence, the licensees pray that the Hon’ble Commission consider the prudently incurred costs and allow the recovery of the same.</p>
11.	<p>PRAYER</p> <p>In view of the foregoing submissions, the Objector respectfully</p>	<p>Power Purchase True-up for FY2024-25 has been claimed in</p>

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>prays that the Hon'ble Commission may be pleased to:</p> <ul style="list-style-type: none"> • Reject or substantially reduce the PPC true-up claim for FY 2024-25. • Disallow imprudent short-term power procurement costs. • Exclude agricultural policy-driven costs from consumer recovery. • Subject revenue true-up to strict prudence and efficiency checks. • Prevent creation of avoidable regulatory assets. • Issue appropriate directions to TGSPDCL for robust long-term 	<p>accordance with the regulations, based on actual costs, and limited only to uncontrollable variations.</p> <p>Short-term power procurement/ Market Purchases during the year was undertaken prudently, to meet deficits and for cost optimization where market prices were lower than variable costs.</p> <p>Agricultural consumption more than approved quantum represents a variation between approved and actuals, arising due to factors such as monsoon variability and demand, and is therefore proposed for consideration under true-up, as per regulations.</p> <p>Details of the claims are submitted to Hon'ble commission for approval.</p> <p>TGDISCOMs respectfully submits that no avoidable regulatory assets are being sought to be created through present petitions. The true-up/down claims are restricted only to actual, uncontrollable variations between approved and actuals, in line with regulations.</p> <p>TGDISCOMs consistently followed a structured long-term power procurement plan through Hon'ble Commission approved PPAs, while actively optimizing its power procurement mix to align with demand patterns and resource availability.</p>

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	power procurement planning. Pass such other order(s) as deemed fit in the interest of justice and consumers.	

6. Responses to the objections of Sri. PV Subba Reddy, Convenor, Bharatiya Agro Economic & Research Centre 2-2-24/P, D D colony, Baghamberpet, Hyderabad 500013.

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1.	High cost Rs 6.53 of market purchases vs approved cost Rs 3.39 needs scrutiny	<p>TGDISCOMs would like to reiterate the fact that Energy procurement from short term sources is considered for the following reasons</p> <ul style="list-style-type: none"> • Energy supply during hours of deficit (Power requirement > Power availability from generators) • Power purchase cost optimization: TGDISCOMs have considered procurement from short term sources during hours when the Market price is lesser than the Variable cost (VC) of few generating stations with higher VC to optimize the overall cost of power procurement. <p>The rate of Rs. 3.3/unit approved in the Tariff Order was only an indicative estimate, whereas actual market prices during the year were significantly higher.</p>

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		<p>The average DAM and GDAM prices during FY 2022-23 were around Rs. 6.10/unit and Rs. 5.75/unit, which, after accounting for losses and charges, translate to landed costs average procurement cost of Rs. 6.53/unit is reasonable and reflects prudent market optimization.</p>
2.	<p>Miscellaneous expenses of Rs 2494 Cr are unexplained. The schedules may be provided.</p>	<p>The miscellaneous charges claimed by the DISCOMs for FY 2022-23 to FY 2024-25 include expenses towards – banked energy, IEX Cost adjustments, STOA and LTOA charges, Reactive charges, Deviation charges and other related statutory and operational charges. major portion 1142 crs for FY 2022-23 is towards MTR Order and Provision-2022-23.</p> <p>These charges are incidental to power procurement and grid operations.</p>
3.	<p>To procure economically, Reliance on govt subsidy is a concern, defeats very purpose of act, true up. Understates cost dynamics, excluding contingencies, future true up impose retrospective liabilities.</p>	<p>TGSPDCL respectfully submits that government subsidy support does not undermine actual power procurement nor defeat the true-up mechanism. Power procurement and cost projections are made independent of subsidy considerations, based on approved procurement plans, PPAs, and the best information available at the time of ARR filing.</p> <p>Electricity Act 2003 recognizes the role of subsidies. Extract of relevant clauses is given below –</p>

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		<p>Section 65 (Provision of Subsidy by State Government):</p> <p>“If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government:</p> <p>Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by State Commission shall be applicable from the date of issue of orders by the Commission in this regard.”</p> <p>Hence the licensee submits that the procurement is as per the provisions of the Act.</p>
4.	<p>The employee costs are more by 15 % than approved.</p> <p>All segments of distribution are higher than approved by Commission. The Justification by facts or given instead reason that commission approved lower is untenable.</p>	<p>The Hon’ble Commission has approved O&M expenses by applying escalation on the average of the true-up expenses for the immediate preceding control period, and this if further escalated for 3 years as per clause No. 81 of Regulation No. 2 of 2023. However, the approved amount so derived is lower than the actual expenditure</p>

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		<p>incurred during FY 2023-24. O&M cost escalation is based on CPI/WPI indices in accordance with Regulation 81.3 based on actuals for FY 2024-25. This revision is primarily on account of actual employee cost, repairs & maintenance activities, and administrative expenses, projected based on CPI/WPI.</p> <p>The Hon'ble Commission has approved Employee cost for FY 2024-25 by applying escalation on the average of the true-up expenses for the immediate preceding control period, and this if further escalated for 3 years as per clause No. 81 of Regulation No. 2 of 2023. However, the approved amount so derived is lower than the actual expenditure incurred during FY 2023-24.</p> <p>The revised O&M expenses projected for FY 2026-27 is computed based on actual costs and inflation. We request the Commission to consider these variations as we have filed our submission in accordance with MYT Regulations, 2023 (2 of 2023).</p>
5.	<p>SPDCL balance sheet as of 31/3/24 accumulated losses are 40,380 Cr against paid up capital of Rs.12017 cr only with huge 28362 Cr negative net worth.</p> <p>Even considering the short.& long term borrowings and capital ,still the accumulated losses are more.</p> <p>The interest burden on short term increased 808 Crs suggests prudent management of borrowings In view of the precarious</p>	<p>TGDISCOMs submits that, in order to reduce the financing cost burden, DISCOMs are actively engaging with lenders to renegotiate existing loan terms, including seeking reduction in interest rates, and exploring restructuring options wherever feasible, with the objective of lowering the overall cost of debt. These efforts are ongoing to ensure that the interest burden on consumers is minimized and the</p>

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	<p>financials of discoms, the companies are not financially viable entities to carry on the huge essential public utility services. Structural financial crisis due to high purchase cost, subsidy burden</p>	<p>financing structure becomes more sustainable. In case of any reduction in interest rates achieved through these negotiations or restructuring will be fully reflected and claimed appropriately during the True-up.</p>
6.	<p>The data on accidents, month wise also not submitted. The accidents are on the rise and precious lives are lost case wise reasons are to be provided.</p>	<p>Our claim includes (a) statutory and ex-gratia payments arising from force majeure/public safety events not attributable to the utility; and (b) amounts mandated under lawful directions where no fault of the licensee is established. According to the guidelines of the Hon'ble Commission of Proceedings No. TSERC/Secy/86 of 2015, Dt:28-12-2015, para no.3 is extracted as below.</p> <p><i>“After careful consideration of the information submitted and issues raised by the DISCOMs, the Commission hereby enhances the ex-gratia sum payable, as a safety measure, in the case of a fatal accident resulting in death of a non-departmental person and / or of an animal owing to electrocution and other issues connected therewith are dealt hereunder.”</i></p> <p>Therefore, TGDISCOMs are paying the compensation/ex-gratia amount to every Electrical accident to non-departmental person and / or of an animal with Department fault or without Department fault in every year and this expenditure is booked under compensations</p>

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		<p>account under A&G expenses in the licensee books of accounts. The details of case-by-case cause of accident and the payments made against each case are already submitted to the Hon'ble Commission.</p>
7.	<p>Demand growth is significant pressure on infra and costs. Requires capex expediency.</p>	<p>TGDISCOMs submits that the strong demand growth places significant load on existing network assets, requiring timely and targeted capital investment to maintain reliability, safety, and supply quality. The proposed capex is therefore essential and not discretionary, aimed at strengthening substations, feeders, and network capacity to meet rising peak demand and avoid overloads or service disruptions.</p> <p>In case of TGSPDCL, the additional capex primarily pertains to Underground cabling works, SCADA expansion and automation, New substations and capacity augmentation, required to meet summer peak loads and to address loading of existing transformers and feeders.</p> <p>The UG cabling works were not envisaged at the time of filing the MYT Petition due to evolving demand patterns, accelerated urbanisation, and emergent reliability issues.</p>