



TELANGANA STATE ELECTRICITY REGULATORY COMMISSION

5th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500 004

ORDER

ON

**DETERMINATION OF TRUE-UP FOR DISTRIBUTION BUSINESS
FOR 1st, 2nd AND 3rd CONTROL PERIODS AND
ANNUAL PERFORMANCE REVIEWS (APR) FOR FY 2019-20,
FY 2020-21 AND FY 2021-22**

IN THE SUPPLY AREAS OF

**SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED
(TSSPDCL)**

AND

**NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED
(TSNPDCL)**

23.03.2023

CONTENTS

Chapter-1 Introduction	2
1.1 Background.....	2
1.2 TSDISCOMs	3
1.3 Regulatory Provisions.....	4
1.4 Previous Filings	5
1.5 Present Petitions.....	8
1.6 Interlocutory Applications.....	8
1.7 Admission of Petition	9
1.8 Data Gaps and Petitioners' Responses	10
1.9 Public Notice in the matter of True-up for 1 st , 2 nd and 3 rd control periods and for APRs for FY 2019-20 and FY 2020-21	10
1.10 Extension and Postponement of Public Hearing	11
1.11 Public Notice in the matter of APR for FY 2021-22.....	11
1.12 Response to the Public Notices	12
1.13 Public Hearings.....	13
1.14 Delay Condonation in Filing of Distribution True-ups & APR for FY 2019 20.....	13
Chapter-2 Summary of Filings	20
2.1 Petitioners' Submissions.....	20
2.2 True-up of 1 st , 2 nd and 3 rd control periods	20
2.3 True-up of 3 rd control period	25
2.4 Impact of Financial Restructuring Package (FRP) 2012 and UDAY	27
2.5 APR (True-up) for FY 2019-20, FY 2020-21 and FY 2021-22	29
2.6 Recovery Mechanism of the Claimed Gap.....	31
Chapter-3 Issues raised by Stakeholders, Responses of Petitioners' and Commission's View	32
3.1 General.....	32
3.2 Inadequate Data/Details/Documentary Evidences Provided.....	33
3.3 Scope of the Present Petitions.....	36
3.4 Directives of Hon'ble APTEL Judgement Dated 11.11.2011 in O.P.No.1 of 2011	37
3.5 Non-compliance of Tariff Regulations	39
3.6 Non-Compliance to the Commission's Guidelines For Investment Approval	40
3.7 Non-Compliance to the Directives	43
3.8 Scope of the Distribution Business ARR & True-up.....	46
3.9 User Un-friendly Formats of the Petitions	47
3.10 Safety Measures.....	48
3.11 Controllable & Uncontrollable Items.....	52
3.12 Gross Fixed Assets (GFA)	54
3.13 Truing-up of O&M Expenses is not Allowable as it is a Controllable Expense.....	55
3.14 Enabling Provision for O&M Expenses Computation as per Regulation	58
3.15 Depreciation.....	61
3.16 RRB & RoCE Computation Methodology.....	62
3.17 Non-Tariff Income	64
3.18 Special Appropriations - Safety Measures	66
3.19 Other Expenditure.....	67
3.20 Allowable True-up as per Objector's Assessment	69
3.21 FRP & UDAY Scheme	71
Chapter-4 Analysis and Conclusion on True-Up for 1st control period	80
4.1 Aggregate Revenue Requirement (ARR).....	80
4.2 TRUE-UP FOR 1 st CONTROL PERIOD	80
4.3 Operation and Maintenance (O&M) Expenses for 1 st control period.....	80
4.4 Return on Capital Employed (RoCE) for 1 st control period	82
4.5 Depreciation for 1 st control period	84
4.6 Taxes on Income	85
4.7 Special Appropriations for 1 st control period	86
4.8 Other Expenditure for 1 st control period	87
4.9 Revenue from Open Access Consumers for 1 st control period	88
4.10 Non-Tariff Income for 1 st control period	89
4.11 Aggregate Revenue Requirement (ARR) of TSSPDCL for 1 st control period.....	89
4.12 Aggregate Gains/Losses of True-up Claimed and Approved for 1 st control period	92
4.13 TRUE-UP FOR 2 nd CONTROL PERIOD.....	92
4.14 Operation and Maintenance (O&M) Expenses for 2 nd control period	93
4.15 Return on Capital Employed (RoCE) for 2 nd control period.....	95
4.16 Depreciation for 2 nd control period	97
4.17 Taxes on Income	98

4.18	Special appropriations for 2 nd control period	99
4.19	Other Expenditure for 2 nd control period	100
4.20	Revenue from Open Access Consumers for 2 nd control period	101
4.21	Non-tariff income for 2 nd control period	102
4.22	Aggregate Revenue Requirement (ARR) of TSSPDCL for 2 nd control period.....	103
4.23	Aggregate Gains/Losses of True-up Claimed and Approved for 2 nd control period	107
4.24	TRUE-UP FOR 3 rd CONTROL PERIOD	107
4.25	Operation and Maintenance (O&M) Expenses for 3 rd control period.....	108
4.26	Return on Capital Employed (RoCE) for 3 rd control period	112
4.27	Depreciation for 3 rd control period.....	114
4.28	Taxes on Income	115
4.29	Special Appropriations for 3 rd control period	115
4.30	Other Expenditure for 3 rd control period.....	117
4.31	Non-tariff income and Revenue from Open Access Consumers for 3 rd control period.....	117
4.32	Impact of FRP & UDAY.....	118
4.33	Aggregate Revenue Requirement (ARR) of TSSPDCL for 3 rd control period	Error! Bookmark not defined.
4.34	Aggregate Gains/Losses of True-up Claimed and Approved for 3 rd control period	125
4.35	Manner of Treatment of True up	126
Chapter-5 Analysis and Conclusion on APR for 4th Control Period		129
5.1	Annual Performance Review for FY 2019-20, FY 2020-21 and FY 2021-22 of 4 th control period.....	129
5.2	Operation and Maintenance (O&M) Expenses for 4 th control period.....	129
5.3	Return on Capital Employed (RoCE) for 4 th control period	133
5.4	Depreciation for 4 th control period	134
5.5	Taxes on Income	135
5.6	Special Appropriations for 4 th control period	136
5.7	Other Expenditure for 4 th control period	137
5.8	Non-Tariff Income and Revenue from Open Access Consumers for 4 th control period	138
5.9	Aggregate Revenue Requirement (ARR) of TSSPDCL for 4 th control period	139
5.10	Aggregate Gains or Losses of APR Claimed and Approved for FY 2019-20, FY 2020-21 and FY 2021-22 of 4 th control period	141
5.11	Recovery of APRs' Revenue Gap/(Surplus)	142
Annexure-I Public Notice.....		143
Annexure-II Public Notice.....		148
Annexure-III List of Stakeholders who submitted written Objections/Suggestions on Filings.....		150
Annexure-IV List of Stakeholders who participated in the Public Hearing held on 18.01.2023		151
Annexure-V List of Stakeholders who submitted written Objections/Suggestions on Filings of APR for FY 2021-22 of 4th control period.....		152
Annexure-VI List of Stakeholders who participated in the Public Hearing held on 28.02.2023		152

LIST OF TABLES

Table 1.1: Details of assigned numbers to the filings made by TSDISCOMs.....	9
Table 2.1: Summary of true-up of 1 st control period claimed by TSSPDCL (for erstwhile APCPDCL)	21
Table 2.2: Summary of true-up of 1 st control period claimed by TSNPDCL (for erstwhile APNPDCL)	22
Table 2.3: Summary of true-up of 2 nd control period claimed by TSSPDCL (for erstwhile APCPDCL)	22
Table 2.4: Summary of true-up of 2 nd control period claimed by TSNPDCL (for erstwhile APNPDCL)	23
Table 2.5: Summary of true-up of 3 rd control period claimed by TSSPDCL	25
Table 2.6: Summary of true-up of 3 rd control period claimed by TSNPDCL	26
Table 2.7: Depreciation and NTI to be considered as per additional information submitted by TSNPDCL	27
Table 2.8: Break-up of capital expenditure loans and working capital loans taken over by GoTS under UDAY ...	28
Table 2.9: Total True-up Gap for 3 rd control period considering savings already passed through tariffs in RST Order FY 2017-18 and FY 2018-19.....	29
Table 2.10: Summary of APR (true-up) of FY 2019-20, FY 2020-21 and FY 2021-22 as claimed by TSSPDCL..	29
Table 2.11: Summary of APR (true-up) of FY 2019-20, FY 2020-21 and FY 2021-22 as claimed by TSNPDCL .	30
Table 3.1: Investment Plan claimed and approved in Tariff Order dated 29.04.2020.....	40
Table 3.2: TSNPDCL Investment at actuals and variation	42
Table 3.3: TSSPDCL Investment at actuals and variation	43
Table 3.4: TSNPDCL Conversion of single phase Agricultural DTRs	45
Table 3.5: Approved and actual expenditure on safety for three control periods	48
Table 3.6: RoCE claims and actuals as per Annual Reports.....	64
Table 3.7: Section 1.2(b) of the tri-partite UDAY agreement.....	75
Table 4.1: O&M expenses claimed for 1 st control period.....	81
Table 4.2: Wage revision impact on Employee cost for 1 st control period	81
Table 4.3: O&M Expenses approved for 1 st control period.....	82
Table 4.3: RoCE claimed for 1 st control period.....	83
Table 4.4: Regulated Rate Base claimed for 1 st control period	83
Table 4.5: Capitalization of Assets claimed for 1 st control period	83
Table 4.6: RoCE approved for 1 st control period	84
Table 4.7: Depreciation claimed for 1 st control period	84
Table 4.8: Depreciation approved for 1 st control period.....	85
Table 4.9: Taxes on Income claimed for 1 st control period.....	85
Table 4.10: Tax on income approved for 1 st control period	86
Table 4.11: Special Appropriations claimed for 1 st control period	86
Table 4.12: Special appropriations approved or 1 st control period	87
Table 4.13: Other Expenditure claimed for 1 st control period	87
Table 4.14: Other Expenditure approved for 1 st control period.....	88
Table 4.15: Revenue from Open Access Consumers claimed for 1 st control period	88
Table 4.16: Revenue from Open Access Consumers approved for 1 st control period.....	88
Table 4.17: Non-Tariff Income claimed for 1 st control period.....	89
Table 4.18: Non-Tariff Income approved for 1 st control period	89
Table 4.19: Summary of TSSPDCL ARR and True-up claimed and approved for 1 st control period.....	89
Table 4.20: Summary of TSNPDCL ARR and True-up claimed and approved for 1 st control period	91
Table 4.21: Aggregate Gains/Losses of True-up claimed and approved for 1 st control period.....	92
Table 4.22: O&M expenses claimed for 2 nd control period	93
Table 4.23: Wage revision impact on Employee cost for 2 nd control period	94
Table 4.24: Employee cost a year before pay revision and a year consequent to the pay revision	94
Table 4.25: RoCE claimed for 2 nd control period.....	95
Table 4.26: Regulated Rate Base claimed for 2 nd control period	96
Table 4.27: Capitalization of Assets claimed for 2 nd control period	96
Table 4.28: RoCE approved for 2 nd control period	97
Table 4.29: Depreciation claimed for 2 nd control period	98
Table 4.30: Depreciation approved for 2 nd control period.....	98
Table 4.31: Taxes on Income claimed for 2 nd control period.....	98
Table 4.32: Taxes on Income approved for 2 nd control period	99
Table 4.33: Special Appropriations claimed for 2 nd control period.....	99
Table 4.34: Special appropriations approved or 2 nd control period	100
Table 4.35: Other Expenditure claimed for 2 nd control period	101
Table 4.36: Other Expenditure approved for 2 nd control period.....	101
Table 4.37: Revenue from Open Access Consumers claimed for 2 nd control period	101
Table 4.38: Revenue from Open Access Consumers approved for 2 nd control period.....	102
Table 4.39: Non-Tariff Income claimed for 2 nd control period.....	102
Table 4.40: Non-tariff income approved for 2 nd control period.....	103
Table 4.41: Summary of TSSPDCL ARR and True-up claimed and approved for 2 nd control period.....	103
Table 4.42: Summary of TSNPDCL ARR and True-up claimed and approved for 2 nd control period.....	105
Table 4.43: Aggregate Gains/Losses of True-up claimed and approved for 2 nd control period.....	107
Table 4.44: O&M expenses claimed for 3 rd control period	108

Table 4.45: Wage revision impact on Employee cost for 2 nd control period	108
Table 4.46: Employee cost details consequent to the pay revision	109
Table 4.47: Employee Expenses approved for 3 rd control period.....	110
Table 4.48: A& G Expenses approved for 3 rd control period	111
Table 4.49: R&M Expenses approved for 3 rd control period.....	111
Table 4.50: O&M Expenses approved for 3 rd control period.....	111
Table 4.51: RoCE claimed for 3 rd control period	112
Table 4.52: RoCE approved for 3 rd control period	113
Table 4.53: Depreciation claimed for 3 rd control period	114
Table 4.54: Depreciation approved for 3 rd control period	115
Table 4.55: Taxes on Income claimed for 3 rd control period.....	115
Table 4.56: Taxes on income approved for 3 rd control period	115
Table 4.57: Special Appropriations claimed for 3 rd control period	116
Table 4.58: Special appropriations approved or 3 rd control period	116
Table 4.59: Other Expenditure claimed for 3 rd control period	117
Table 4.60: Other Expenditure approved for 3 rd control period	117
Table 4.61: Non-Tariff Income including revenue from open access consumers claimed for 3 rd control period..	118
Table 4.62: Non-Tariff Income including revenue from open access consumers approved for 3 rd control period	118
Table 4.63: Details of capex and working capital loans taken over under UDAY scheme	120
Table 4.65: Summary of TSSPDCL ARR and True-up claimed and approved for 3 rd control period	122
Table 4.65: Summary of TSNPDCL ARR and True-up claimed and approved for 3 rd control period	124
Table 4.66: Aggregate Gains/Losses of True-up claimed and approved for 3 rd control period	126
Table 5.1: O&M expenses claimed for 4 th control period.....	129
Table 5.2: Break-up of employee cost for 4 th control period	130
Table 5.3: Break-up of employee cost for 4 th control period	131
Table 5.4: Employee Expenses claimed and approved for 4 th control period.....	132
Table 5.5: A&G Expenses claimed and approved for 4 th control period	132
Table 5.6: R&M Expenses claimed and approved for 4 th control period.....	132
Table 5.7: O&M Expenses approved for 4 th control period.....	132
Table 5.8: RoCE claimed for 4 th control period	133
Table 5.9: RoCE approved for 4 th control period	134
Table 5.10: Depreciation claimed for 4 th control period	135
Table 5.11: Depreciation approved for 4 th control period	135
Table 5.12: Taxes on Income claimed for 4 th control period.....	135
Table 5.13: Taxes on income approved for 4 th control period	136
Table 5.14: Special Appropriations claimed for 4 th control period	136
Table 5.15: Special appropriations approved or 4 th control period	137
Table 5.16: Other Expenditure claimed for 4 th control period	137
Table 5.17: Other Expenditure approved for 4 th control period	137
Table 5.18: Non-Tariff Income including revenue from open access consumers claimed for 4 th control period..	138
Table 5.19: Non-Tariff Income and revenue from open access consumers approved for 4 th control period	138
Table 5.20: Summary of TSSPDCL ARR and APR claimed and approved for FY 2019-20, FY 2020-21 and FY 2021-22 of 4 th control period.....	139
Table 5.21: Summary of TSNPDCL ARR and APR claimed and approved for FY 2019-20, FY 2020-21 and FY 2021-22 of 4 th control period.....	140
Table 5.22: Aggregate gains or losses of APR for FY 2019-20, FY 2020-21 and FY 2021-22 of 4 th control period	141