



TELANGANA STATE ELECTRICITY REGULATORY COMMISSION
5th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500 004

ORDER
ON
ANNUAL PERFORMANCE REVIEW OF
TRANSMISSION CORPORATION OF
TELANGANA LIMITED

FOR FY 2021-22

FOR

TRANSMISSION CORPORATION OF TELANGANA LIMITED
(TSTransco)

26.05.2023

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List of Abbreviations

A&G	Administrative and General
APR	Annual Performance Review
ARR	Aggregate Revenue Requirement
CAG	Comptroller and Auditor General of India
CERC	Central Electricity Regulatory Commission
FCC	Financial Completion Certificate
FY	Financial Year
Gol	Government of India
GoTS	Government of Telangana State
GFA	Gross Fixed Assets
I&CAD	Irrigation & Command Area Development
IEGC	India Electricity Grid Code
IND AS	Indian Accounting Standard
ISTS	Inter State Transmission System
kV	kilo Volt
LIS	Lift Irrigation Scheme
MAT	Minimum Alternate Tax
MoP	Ministry of Power
MVA	Mega Volt Ampere
MW	Mega-Watt
MYT	Multi Year Tariff
NLDC	National Load Despatch Centre
O&M	Operation and Maintenance
OP	Original Petition
OCFA	Original Cost of Fixed Assets
PCC	Optical Fibre Cable
PPA	Power Purchase Agreement
NCE	Non-Conventional Energy
PGCIL	Power Grid Corporation of India Limited
R&M	Repairs and Maintenance
ROCE	Return on Capital Employed
RoE	Return on Equity
RoW	Right of Way
RRB	Regulated Rate Base
Rs.	Rupees
SLDC	State Load Dispatch Centre
SRLDC	Southern Regional Load Dispatch Centre
STU	State Transmission Utility
TSERC	Telangana State Electricity Regulatory Commission
TSTransco	Transmission Corporation of Telangana Limited
WACC	Weighted Average Cost of Capital



TELANGANA STATE ELECTRICITY REGULATORY COMMISSION
5th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500 004

O. P. No. 3 of 2023

Dated 26.05.2023

Present

Sri T. Sriranga Rao, Chairman
Sri M. D. Manohar Raju, Member (Technical)
Sri Bandaru Krishnaiah, Member (Finance)

Transmission Corporation of Telangana Limited

... Applicant

The Transmission Corporation of Telangana Limited (TSTransco) filed Petition on 29.12.2022 for Annual Performance Review (APR) for FY 2021-22 for its Transmission Business in accordance with the directions given in Order dated 20.03.2020 on Aggregate Revenue Requirement and Transmission Tariff for 4th control period (FY 2019-20 to FY 2023-24), read with Regulation No.5 of 2005 as adopted by TSERC in its Regulation No.1 of 2014

The Petition having been taken on file, and having considered objections/suggestions of the stakeholders, issues that are raised during the Public Hearing held on 27.02.2023, responses of the Applicant, and all other relevant material, passed the following:

ORDER

Chapter-1
Introduction

1.1 BACKGROUND

- 1.1.1 Pursuant to provisions of the Andhra Pradesh Reorganisation Act, 2014, the then Government of Andhra Pradesh vide G.O.Ms.No.26 Energy (CC) Department, dated 29.05.2014 had created a separate TRANSCO for Telangana State. Accordingly, Transmission Corporation of Telangana Limited

(TSTransco) was formed and got incorporated on 29th May, 2014 under the Companies Act, 2013 for undertaking power transmission business in Telangana State. The Government of Telangana, under Section 31(1) of the Electricity Act, 2003 has notified TSTransco as the State Transmission Utility (STU) in the State vide G.O.Ms.No.1, dated 21.06.2014. TSTransco is presently carrying out solely, the Transmission business and SLDC activity as per the Licence No.1 of 2014 granted by the erstwhile APERC on Deemed Licence Conditions of Licensee, Transitional (Reorganisation) Regulations, etc.

1.1.2 The Commission in its Order dated 20.03.2020 in O.P.No.3 of 2019 on Aggregate Revenue Requirement (ARR) and Transmission Tariff for 4th control period (FY 2019-20 to FY 2023-24) had given directions to Applicant herein to submit Annual Performance Review (APR) for each year of 4th control period before 31st December of the following year.

1.1.3 In compliance to the said directive, the Applicant (TSTransco) has filed this Petition on 29.12.2022 for APR for its Transmission Business for FY 2021-22 with the following prayer to:

- a) Take the accompanying petition on Annual Performance Review (True up) for the FY 2021-22 for Transmission Business on record.
- b)
 - i) to restore 5% capitalization amount for 3rd control period, FY 2019-20 & FY 2020-21 (Rs.394.36 crore), since TSTRANSCO is exempted from certification by Electrical Inspectorate vide G.O.Ms.No.10, dated 09.05.2022.
 - ii) to consider the surplus of Rs.149.85 crore as special appropriation.
 - iii) to consider the additions made during the year to Fixed Assets and allow the eligible amount of depreciation for FY 2020-21 *“from the date of commercial operation/capitalisation as per CERC Regulations”*.
 - iv) to consider depreciation on consumer contribution assets as expense and consider amortization of consumer contribution as Non-Tariff Income (NTI).
 - v) to allow the actual cost of debt as per the audited accounts submitted by the Company as was done by the Commission in earlier years.
 - vi) to consider to grant an incentive to the petitioner in terms of Clause 18(1) of Regulation No.5 of 2005, for maintaining Transmission System losses below the approved loss bands during the last 3 years of the 4th MYT period.

- c) Grant suitable opportunity to TSTRANSCO within a reasonable timeframe to file additional material information if required.
- d) Consider the facts and circumstances of the present petition and pass an appropriate order.

1.2 ADMISSION OF PETITION AND REGULATORY PROCESS

- 1.2.1 The Petition was found to be generally in order as required under the TSERC (Conduct of Business) Regulations, 2015 (Regulation No.2 of 2015) and the same was admitted, the original petition taken on record by assigning the O.P.No.3 of 2023.

1.3 DATA GAPS AND APPLICANT'S RESPONSES

- 1.3.1 During scrutiny, the filings of the Applicant, certain information were found to be deficient in certain aspects. Subsequently, the Applicant submitted the additional information as sought by the Commission. The Commission has considered the original filings and the additional information submitted by the Applicant.

1.4 PUBLIC NOTICE

- 1.4.1 The Applicant, as directed by the Commission, issued a Public Notice (**Annexure-I**) in two (2) English, two (2) Telugu and One (1) Urdu daily newspapers, informing the general public that the Applicant has filed the Petition for APR for its Transmission Business for FY 2021-22 before the Commission and inviting objections/suggestions on the filings of the Applicant from all the stakeholders and general public at large on or before 09.02.2023 by 5 pm and also informing that in this regard the Commission shall conduct a Public Hearing on 27.02.2022 from 11:00 hours onwards. The filings along with supporting material have been made available by the Applicant to the public at large including all stakeholders. The Public Notice, filings and supporting material were also hosted on the websites of the Applicant as well as the Commission.

1.5 RESPONSE TO PUBLIC NOTICE

- 1.5.1 In response to the Public Notice, objections/suggestions were received from three (3) stakeholders. The details of stakeholder who submitted objections/suggestions is enclosed as **Annexure-II**.

1.5.2 The Applicant was directed to give its response in writing to all the written objections received, by 16.02.2022 by sending the same to the respective objector with a copy to the Commission before the scheduled date of Public Hearing. The replies were also posted on the website of the Commission.

1.6 PUBLIC HEARING

1.6.1 The Commission has conducted Public Hearing on 27.02.2022. During the Hearing, the Applicant made a brief presentation on the filings and then the Commission heard the stakeholders desiring to be heard. The details of stakeholder who attended the Public Hearing is enclosed at **Annexure-III**.



Chapter-2 Summary of Filings

2.1 APR (TRUE-UP) FOR FY 2021-22

2.1.1 In compliance to the Directive No.3 in Order dated 20.03.2020 on Aggregate Revenue Requirement (ARR) and Transmission Tariff for 4th control period (FY 2019-20 to FY 2023-24) O.P.No.3 of 2019, TSTransco has filed the following in the Annual Performance Review (APR) Petition for FY 2021-22:

- a) True-Up – Analysis of Financial Performance for FY 2021-22;
- b) Analysis of Performance of Transmission Business for FY 2021-22.

2.2 TRUE-UP – ANALYSIS OF PERFORMANCE FOR FY 2021-22

2.2.1 TSTransco has submitted the following true-up filings for its Transmission Business for FY 2021-22:

- Statement of variance with the Tariff Order for each item in the Aggregate Revenue Requirement (ARR) and reasons thereof;
- ARR for the year computed based on actual investments, interest and other costs;
- The surplus/deficit for FY 2021-22 arrived based on revenue earned for FY 2021-22.

2.3 OPERATION & MAINTENANCE (O&M) EXPENSES

2.3.1 The actual O&M expenses claimed by the Applicant is as shown in Table below:

Table 2.1 : O&M expenses claimed by the Applicant

<i>Rs. in crore</i>			
Particulars	Approved in MYT Order	Claimed	Deviation
Gross O&M costs	1068.58	1061.49	-7.09
Employee cost		944.44	
Administrative & General (A&G) expenses		65.24	
Repair & Maintenance (R&M) expenses		51.81	
Less: O&M Expenses capitalised	146.26	126.24	-20.02
Net O&M expenses	922.32	935.25	12.93

- Net O&M Expenses for the year have been increased by Rs.12.93 crore due to decrease in expenses capitalized.
- The O&M cost as per Tariff Order is arrived/computed based on O&M approved norms. Whereas, the Company has submitted the actual O&M cost as per audited accounts for FY 2021-22.
- Capitalization of expenses has been decreased due to change of policy in capitalization of Administration & General expenses from FY 2020-21 onwards as per Indian Accounting Standard (IND AS) 12.

2.4 DEPRECIATION

2.4.1 In compliance to the Commission's Directive No.5 in the Order dated 20.03.2020, the Applicant has changed depreciation policy duly charging depreciation as per the rates specified by Central Electricity Regulatory Commission (CERC) with effect from FY 2020-21. The depreciation for FY 2021-22 claimed by the Applicant is as shown in Table below:

Table 2.2: Depreciation claimed by the Applicant

Rs. in crore			
Particulars	Approved in MYT Order	Claimed	Deviation
Depreciation	1000.26	889.69	-110.57

- The actual depreciation amount has been decreased due to reduction in capitalisation during the year.
- Depreciation has been arrived as per CERC depreciation rates under straight line method on the opening assets and also on additions to OCFA during the year proportionately in accordance with CERC Regulations, 2019.
- Further, the Company is claiming depreciation on consumer contribution assets as an expense and also considered as amortization of consumer contribution in Non-Tariff Income (NTI).
- The Company requested to consider the depreciation on the additions during the year from the date of capitalization as per CERC Regulation No.33, vide notification No.L-1/236/2018/CERC dated 07.03.2019.

2.4.2 Depreciation due to withholding of 5% Capitalisation:

- The year wise impact of deprecation due to withholding of 5% capitalisation is as given below:
 - i) For 3rd control period Rs.63.78 crore
 - ii) For FY 2019-20 Rs.35.26 crore
 - iii) For FY 2020-21 Rs.38.81 crore
- Requested to restore the capitalisation amount and approve the above depreciation with applicable carrying cost as. TSTRANSCO is exempted for certification of all electrical installations by Electrical Inspector vide G.O.Ms.No.10, dated 09.05.2022.

2.4.3 Depreciation due to not considering current year additions for FY 2020-21

- The Commission has approved depreciation amount of Rs.794.60 crore as against actual depreciation of Rs.857.78 crore filed by the Company as per audited accounts for FY 2020-21 and disallowed an amount of Rs.63.18 crore (Rs.857.78 crore - Rs.794.60 crore) computing depreciation on opening GFA based on the principle of "Depreciation shall be charged from the 1st April of the following year from the date the asset is put to use".
- As per the terms of Regulation No.33 of the CERF Regulations, 2019 depreciation shall be computed "from the date of commercial operation

of a Transmission system” and Company has followed the similar methodology in Annual Accounts for FY 2020-21.

- Accordingly, Company has claimed depreciation of Rs.857.78 crore for FY 2020-21, applying the rates notified in CERC Regulations, 2019 in compliance to Directive No.5 of 4th MYT Order (FY 2019-20 to FY 2023-24).
- In the light of the above facts, the Commission is requested to consider the additions made during the year to Fixed Assets and allow the eligible amount of depreciation for FY 2020-21 “from the date of commercial operation/Capitalisation as per CERC Regulations”.

2.5 TAXES ON INCOME

2.5.1 Taxes on Income was calculated as per Clause 5.13.5 of 4th MYT Order at current rate of Minimum Alternate Tax (MAT) on the Return on Equity (RoE) @ 14% on 25% of actual Regulated Rate Base (RRB) in accordance with the Regulation No.5 of 2005:

Table 2.3: Taxes on Income claimed by the Applicant

<i>Rs. in crore</i>			
Particulars	Approved in MYT Order	Claimed	Deviation
Income Tax	84.11	74.58	-9.53

2.5.2 Taxes on Income due to 5% Capitalisation:

- The year-wise impact on taxes on Income due to withholding of 5% capitalisation is as follows:
 - i) For 3rd control period Rs.5.88 crore
 - ii) For FY 2019-20 Rs.2.90 crore
 - iii) For FY 2020-21 Rs.3.49 crore
- The Commission is requested to restore the capitalisation amount and approve the above depreciation with applicable carrying cost as TSTRANSCO is exempted for certification of all electrical installations by Electrical Inspector vide G.O.Ms.No.10, dated 09.05.2022.

2.6 RETURN ON CAPITAL EMPLOYED (RoCE)

2.6.1 The Return on Capital Employed (RoCE) covers:

- (i) the interest charges on the debt portion; and
- (ii) RoE on the claimed RRB @ Debt Equity ratio of 75:25;

2.6.2 RoCE has been claimed by adding the actual interest charges (net of interest capitalised) and RoE @ 14% on 25% of claimed RRB. The RoCE claimed by the Applicant for FY 2021-22 as per the methodology specified in Regulation No.5 of 2015 is as shown in the Table below:

Table 2.4: ROCE claimed by the Applicant*Rs. in crore*

Particulars	Approved in MYT Order	Claimed	Deviation
Assets		21296.49	
Original Cost of Fixed Assets (OCFA)		18892.35	
Additions to OCFA		2404.14	
Depreciation		7045.08	
Opening Balance		6155.39	
Depreciation during the year		889.69	
Consumer Contributions		3590.02	
Opening Balance		3499.68	
Additions during the year		90.34	
Working Capital		115.34	
Change in Rate Base		712.06	
Regulated Rate Base (RRB)	11351.61	10064.64	-1286.97
Cost of Debt (Interest & Finance Charges)	838.60	834.25	-4.35
Return on Equity @14% on 25% of RRB	397.31	352.26	-45.05
RoCE	1235.91	1186.51	-49.40

- In Regulated Rate Base (RRB) calculation the applicant has considered the actual asset addition to fixed assets duly tallying with the books of accounts.
- The additions to OCFA as per the audited accounts for FY 2021-22 is Rs.2404.14 crore which is after adjustment of Asset withdrawals of Rs.51.64 crore during the year.
- The RoCE for the year is computed considering the net interest expenditure at actual (i.e., after adjustment of interest capitalized and interest on working capital loans provided to TSDISCOMs). Whereas, RoE is considered as @ 14% on 25% of actual Regulated Rate Base as per Regulation No.5 of 2005.

2.6.3 RoCE due to withholding of 5% Capitalization:

- The year-wise impact of RoCE due to withholding of 5% capitalisation is as follows:
 - i) For 3rd control period Rs.88.61 crore
 - ii) For FY 2019-20 Rs.62.44 crore
 - iii) For FY 2020-21 Rs.74.68 crore
- The Commission is requested to restore the capitalisation amount and approve RoCE as per the above details with applicable carrying cost as,

Government of Telangana has issued a notification vide g.O.Ms.No.10, dated 09.05.2022 by exercising its power by allowing TSTRANSCO for Self-Certification of its own installations irrespective of voltage and granted exemption of certification from Electrical Inspector.

2.6.4 Adoption of Rate of Cost of Debt in RoCE computation for FY 2020-21:

- Unlike earlier years for FY 2020-21, the Commission has allowed the cost of debt @ 10.32% considering Debt amount as “Average loans outstanding” based on the additional data submitted by the Company in lieu of considering the Debt as per Debt-Equity ratio in accordance with Regulation 5 of 2005 (i.e., 75% of Approved RRB).
- Whereas, while allowing the RoCE, the Commission has applied the above rate of cost of debt on 75% of Approved RRB. Due to this there is a decrease in RoCE to the extent of Rs.145.33 crore.
- Normally, actual cost of Debt is being arrived, applying the “Actual interest as per audited accounts/Debt (75% of approved RRB). Accordingly, the Cost of Debt would be @ 12.48% (i.e., Rs.840.22 crore/Rs.6733.46 crore) as per the following details:
 - a) Actual cost of debt (as per audited accounts) = Rs.840.22 crore
 - b) Cost of debt allowed by the Commission = Rs.694.89 crore
 - c) Net Cost of debt disallowed by the Commission = Rs.145.33 crore
- With regard to the above, it is to mention that the above variation has arisen due to change in methodology adopted, thereby resulted a decrease of Rs.145.33 crore in RoCE and also in the total ARR of the Company for FY 2020-21.
- Considering the above facts and figures, it is prayed to allow the actual cost of debt as per the audited accounts submitted by the Company as was done by the Commission in earlier years.

2.7 REVENUE

- 2.7.1** The following is the position of Revenue for FY 2021-22 as claimed by the Applicant

Table 2.5: Revenue claimed by the Applicant*Rs. in crore*

Particular	Approved in MYT Order	Claimed	Deviation
Revenue from Transmission Charges	2863.93	2897.80	33.87
Other Income	378.67	338.08	-40.59
Total	3242.60	3235.88	-6.72

- The total revenue for the year is lower due to decrease to the extent of Rs.6.72 crore due to decrease in NTI (Other Income) over Tariff Income.
- The Other Income of Rs.338.08 crore is arrived after adjustment of Rs.36.82 crore towards Interest received on working capital loans provided to TSDISCONMs.
- Further, claimed depreciation on consumer contribution assets as an expense and the same is considered as amortisation of consumer contributions in NTI.

2.8 AGGREGATE REVENUE REQUIREMENT (ARR) TRUE-UP FOR FY 2021-22

2.8.1 The total Aggregate Revenue Requirement (ARR) true-up for FY 2021-22 claimed by the Applicant is as shown in Table below:

Table 2.6: Summary of True-up claimed by the Applicant*Rs. in crore*

Particular	Approved in MYT Order	Claimed	Deviation
Expenditure	2152.95	2025.76	-127.19
O&M expenses	1068.58	1061.49	-7.09
Depreciation	1000.26	889.69	-110.57
Taxes	84.11	74.58	-9.53
Less: Expenses Capitalised	146.26	126.24	-20.02
IDC Capitalised	0.00	0.00	0.00
O&M Expenses Capitalized	146.26	126.24	-20.02
Net Expenditure	2006.69	1899.52	-107.17
ROCE	1235.91	1186.51	-49.40
Gross ARR	3242.60	3086.03	-156.57
Non-Tariff Income	378.67	338.08	-40.59
Revenue from Tariff	2863.93	2897.80	33.87
Total Revenue	3242.60	3235.88	-6.72
Surplus/(Deficit)	0.00	149.85	149.85

- The net expenditure of the company has been decreased by Rs.107.17 crore is mainly due to decrease in depreciation.
- RoCE has been decreased by Rs.49.40 crore and

- The Total revenue of the Company decreased by Rs.6.72 crore.
- Consequently, company has earned a surplus of Rs.149.85 crore for FY 2021-22.

2.9 IMPACT OF ARR DUE TO WITHHOLDING OF 5% CAPITALISATION

2.9.1 In its prayer the Applicant submitted to restore 5% capitalization amount for 3rd control period, FY 2019-20 & FY 2020-21 and claimed Rs.394.36 crore towards impact of ARR due to withholding of 5% capitalization stating that TSTransco is exempted from certification by Electrical Inspectorate vide G.O.Ms.No.10, dated 09.05.2022. Detailed calculation of impact of ARR due to withholding of 5% Capitalisation is shown as below:

Table 2.7: Impact of ARR due to withholding of 5% capitalization

<i>Rs. in crore</i>								
Financial Year	2014-15	2015-16	2016-17	2017-18	2018-19	Total	2019-20	2020-21
Claimed (Actuals)	689.48	1947.38	1789.21	1982.20	3589.79	9998.06	2729.10	1342.03
Approved	655.01	1850.01	1699.75	1883.09	3410.30	9498.16	2561.10	1274.93
Difference in additions	34.47	97.37	89.46	99.11	179.49	499.90	168.00	67.10
increase in Opening GFA		34.47	34.47	34.47	34.47		34.47	34.47
			97.37	97.37	97.37		97.37	97.37
				89.46	89.46		89.46	89.46
					99.11		99.11	99.11
							179.49	179.49
								168.00
Less: Depreciation @ 5.28% (CERC)	1.82	5.14	4.72	5.23	9.48		8.87	3.54
		1.82	1.82	1.82	1.82		1.82	1.82
			5.14	5.14	5.14		5.14	5.14
				4.72	4.72		4.72	4.72
					5.23		5.23	5.23
							9.48	9.48
								8.87
Increase in RRB	16.32	78.76	167.25	256.55	388.50	907.38	553.07	664.41
Approved RoCE Rate	11.43%	10.53%	10.49%	9.64%	9.31%		11.29%	11.24%
RoCE amount	1.87	8.29	17.54	24.73	36.17	88.61	62.44	74.68
Tax on Return on Equity	0.11	0.51	1.08	1.66	2.52	5.88	2.90	3.49
Depreciation	1.82	5.14	4.72	5.23	9.48	26.39	8.87	3.54
		1.82	1.82	1.82	1.82	7.28	1.82	1.82
			5.14	5.14	5.14	15.42	5.14	5.14
				4.72	4.72	9.45	4.72	4.72
					5.23	5.23	5.23	5.23
							9.48	9.48
								8.87
Total						158.26	100.61	116.98
Carrying Cost @ 9.85%						7.79	4.96	5.76
Total						166.05	105.57	122.74

2.10 NETWORK ADDITION FOR FY 2021-22

2.10.1 The transmission network addition during FY 2021-22 submitted by the Applicant is as shown in the Table below:

Table 2.8: Network addition claimed for FY 2021-22

Sl. No.	Particulars	Opening	Addition	Deletion	Closing
A	Lines (ckt km)				
1	765 kV	-	-	-	-
2	400 kV	5964.39	620.46	-	6090.43
3	220 kV	8439.41	29.42	-	8895.12
4	132 kV	11754.69	15.62	-	11864.50
	Total	26158.49	691.56	-	26850.05
B	Transformation Capacity (MVA)	76457.50	2190	-	80919.50
C	Bays (in nos.)				
1	765 kV	-	-	-	-
2	400 kV	341	-	-	369
3	220 kV	690	-	-	781
4	132 kV	1624	4	-	1651
	Total	2655	4	-	2801

2.10.2 The submissions of the Applicant and the Commission's View thereon are discussed in detail in Chapter 4 of the Order.

2.11 OPERATIONAL PERFORMANCE PARAMETERS ACHIEVED BY TSTRANSCO FOR FY 2021-22

2.11.1 The average availability factor of Transmission system of TSTransco for FY 2021-22 is 99.98%.

2.11.2 The Transmission system loss in FY 2021-22 is 2.47%

Chapter-3

Issues Raised by Stakeholder, Responses of Applicant and Commission's View

3.1 OBJECTIONS/SUGGESTIONS MADE ON FILINGS

- 3.1.1 Three (3) stakeholders have filed objections/suggestions on the Petition for APR of Transmission Business for FY 2021-22. The Applicant has filed replies on the objections/suggestions received from the stakeholders. For the sake of brevity, the objections/suggestions raised by the stakeholders and responses of the Applicant have been consolidated and summarised issue-wise. The Commission has concluded all the objections/suggestions of the stakeholders made in writing as well as during the course of Public Hearing and the responses to them by the Applicant. In the subsequent Chapters of this Order, the Commission has taken into consideration, the objections/suggestions of the stakeholders and replies of the Applicant for analysis and conclusion on APR for FY 2021-22.

3.2 CAPITAL WORKS

Stakeholders' Submissions

- 3.2.1 The Capital Works towards works which were not completed in FY 2021-22 as per schedule may not be allowed.
- 3.2.2 Since Physical Completion Certificate (PCC) and Financial Completion Certificate (FCC) are necessary for considering expenditures capitalized, the TSTransco should submit the same along with its petition which is being filed with a considerable gap time after completion of auditing of annual accounts.

Applicant's Response

- 3.2.3 The MYT order was approved by the Commission based on the estimated and submitted proposals. The Capital cost for FY 2021-22 was furnished to the Commission based on the completed works (i.e., actuals as per audited accounts). Further, the PCC and FCC of completed works were submitted.

Commission's View

- 3.2.4 The Commission has taken note of the submissions of the stakeholders and replies of TSTransco.

3.3 DEPRECIATION

Stakeholders' Submissions

- 3.3.1 Clause 15.1 of Regulation No.5 of 2005 stipulates that “Provided that depreciation on assets funded by consumer/user contributions or through any capital subsidy/grant etc., shall not be allowed in the revenue requirement of the Transmission Licensee”.
- 3.3.2 The Commission has approved depreciation amount of Rs.794.60 crore as against the claim of Rs.855.78 crore after prudence check. Hence, claiming of depreciation again on additions made during FY 2020-21 is not acceptable.
- 3.3.3 The allowable depreciation should be as per the clauses 15.2 and 15.3 of Regulation No.5 of 2005, which are reproduced below:
- 15.2 *Deprecation allowance for each year of the control period shall be determined, generally based on the methodology, rates and other terms as decided by CERC from time to time;*
- 15.3 *Depreciation shall be charged from 1st April of the following year from the date the asset is put to use.*
- 3.3.4 TSTransco is claiming depreciation on Consumer Contribution Assets as an expense which in turn impacts the net ARR. The Depreciation to be allowed only to the extent of the provisions of Regulation.

Applicant's Response

- 3.3.5 TSTransco in compliance to Directive No.5 of 4th MYT Order has adhered/ complied with the methodology provided by the Commission while computation of Depreciation as per CERC Regulations, 2019. As per the terms of regulation No.33 of the CERC Regulations, 2019, depreciation shall be computed from the date of commercial operation of a transmission system and TSTransco has followed the similar methodology in Annual Accounts for FY 2020-21.
- 3.3.6 Further, TSTransco has claimed depreciation on consumer contribution assets as an “Expense” in Gross ARR and to offset the same, it was considered as “Revenue” under non-tariff income by way of amortization of Consumer contribution and there is no impact of net ARR claimed by the licensee.
- 3.3.7 TSTransco has charged and claimed depreciation of Rs.857.78 crore for FY 2020-21, applying the rates notified in CERC Regulations, 2019.

Commission's View

- 3.3.8 The Commission has taken note of the submissions of the stakeholders and replies of TSTransco.

3.4 RETURN ON CAPITAL EMPLOYED (RoCE)

Stakeholders' Submissions

- 3.4.1 As per Clause 13.1 of Regulation No.5 of 2005, RoCE is to be computed by considering Weighted Average Cost of Capital (WACC) and approved RRB only, Whereas, TSTransco has computed RoE on RRB, but the Cost of Debt are considered directly on actuals (Interest & Finance charges), to arrive at the overall actual RoCE value.
- 3.4.2 Interest rate for FY 2021-22, as approved by the Commission in MYT order (4th control period) was 9.85%, while the actual interest claimed (on 75% of RRB) comes to 11.05%.
- 3.4.3 Impact of claiming higher interest and finance charges on loan is Rs.90.73 crore as given below:

Table 3.1: RoCE as claimed for FY 2021-22

Rs. in crore

Sl. No.	Item	Approved in MYT Order	TSTransco claim in APR	Deviation	TSDiscoms observations	Deviation
1)	RRB	11351.61	10064.64	-1286.97	10064.64	-1286.97
2)	Cost of Debt	838.60 (9.85%)	834.25 (11.05%)	-4.35	743.52 (9.85%)	-95.08
3)	RoE @ 14% on 25% of RRB	397.31	352.26	-45.05	352.26	-45.05
4)	RoCE	1235.91	1186.51	-49.40	1095.78	-140.13

Hence, the Commission is requested to allow interest rate as approved in MYT Order and as per provisions of the Regulation.

Applicant's Response

- 3.4.4 TSTransco has filed APR for FY 2021-22 at actuals as per Audited Accounts in compliance to Directive No.3 issued by the Commission in 4th MYT order (FY 2019-20 to FY 2023-24).
- 3.4.5 TSTransco has claimed Cost of Debt at actual in RoCE for consideration by the Commission at current WACC incurred in accordance with the provisions under Regulation No.5 of 2005.

- 3.4.6 Further during FY 2021-22, TSTransco has availed loans with higher rate of interest than approved Cost of Debt.
- 3.4.7 In FY 2020-21, while arriving at Cost of Debt, the Commission has considered Average Loans Outstanding instead of Debt as per Debt-Equity ratio in accordance with Regulation No.5 of 2005 (i.e., 75% of approved RRB). Accordingly, Cost of Debt would be @ 12.48% (i.e., Rs.840.22 crore/ Rs.6733.46 crore).

Commission's View

- 3.4.8 The Commission has approved the capitalisation for FY 2021-22 considering the earlier directions, audited accounts and information submitted by the Applicant as detailed in the Chapter-4 of the Order.

3.5 NON-TARIFF INCOME

Stakeholders' Submissions

- 3.5.1 As per Tariff Order dated 20.03.2020, NTI approved for FY 2021-22 is Rs.378.67 crore. Actual claimed in APR is Rs.338.08 crore. Thus, TSTransco is claiming a decrease of Rs.40.59 crore in NTI as against approved amount. The Commission to allow the NTI after prudence check.

Applicant's Response

- 3.5.2 Non-Tariff Income (NTI) of TSTransco has been decreased due to Decrease of amortisation of Consumer Contribution Assets.

Commission's View

- 3.5.3 The Commission has approved the ARR for FY 2021-22 in accordance with the provisions of Regulation No.5 of 2005 as detailed in the Chapter 4 of the Order.

3.6 EXPENDITURE

Stakeholders' Submissions

- 3.6.1 TSTransco has shown lesser O&M expenditure, depreciation charges, O&M expenditure capitalized and RoCE than what was approved by the Commission for the FY 2021-22. At the same time, it has shown increase in revenue from revenue from tariff by Rs.32.87 crore during the same period. It shows that TSTransco has been collecting transmission charges as determined in the MYT, despite lesser addition and operationalisation of transmission capacities

permitted by the Commission for FY 2021-22. During FY 2021-22, variations in demand ranged from a maximum of 14160 MW to the lowest 4351 MW.

Applicant's Response

- 3.6.2 Decrease in the expenditure (i.e., actual as per Audited – Approved (based on estimation)) of TSTransco of Rs.107.17 crore is mainly due to decrease in the Depreciation for FY 2021-22 resulted because of change of methodology from Ministry of Power (MoP) to CERC (as per CERC Regulations, 2019) as per directions of the Commission vide Directive No.5 in 4th MYT Order.

Commission's View

- 3.6.3 The Commission has taken note of the submissions of the stakeholders and replies of TSTransco.

3.7 CONTRACTED CAPACITIES

Stakeholders' Submissions

- 3.7.1 TSTransco has not explained to what extent the contracted capacity was added vis-à-vis permitted in MYT as per schedule and operationalized during the year, in light of maintaining system availability of 99.98% or to what extent such capacity remained underutilised. If the proposed Lift Irrigation (LI) schemes are not completed in time, capacity of transmission network created to meet requirement of LI schemes will remain idle, unless utilised for other power being generated and supplied. What is the arrangement with LI schemes for recovery of transmission charges, in case they have not been completed in time and for not utilising the transmission capacity created for them? TSTransco has not explained whether implementation of transmission schemes intended for LI schemes taken up, including deposit contribution works of the department of irrigation and command area development has been as per schedule.
- 3.7.2 In FY 2019-20, FY 2020-21 and FY 2021-22, TSDiscoms have not procured any power from the four (4) gas-based power plants of GMR Vemagiri, GVK Extension, GVK Gautami and Konaseema (sum total of 782.79 MW). Such capacities were also not considered in the TSTransco MYT Order approved by the Commission.
- 3.7.3 TSTransco has shown contracted capacity of 782.79 MW as the share of TSDiscoms from the four (4) gas-based power projects as part of contracted

capacity though not being utilised for nearly a decade, transmission charges have been paid for the unutilised capacity of 782.79 MW contracted for evacuating power from these four (4) stranded units. While cases pertaining to these four (4) units are pending before the Hon'ble Supreme Court over the years, the Discoms of Telangana and AP have not been paying fixed charges to them, but the burden of transmission charges is being imposed on the consumers.

- 3.7.4 The total contracted capacity for NCE/RE is shown as 2883.03 MW. Did the TSTransco collect transmission charges from the NCE units? Is TSTransco taking generation capacity of NCE/RE units for the purpose of addition transmission capacity? If so, is it leading to stranding of transmission capacity when no generation from NCE units take place, especially of Solar and Wind power units during periods of intermittence, daily or seasonally?

Applicant's Response

- 3.7.5 The transmission network projection approved vide Tariff Order for FY 2021-22 and actuals realized are as tabulated below:

Table 3.2: Transmission network approved in Tariff Order dated 20.3.2020

Description	Line in ckm	MVA	Bay (Nos)
As per Tariff Order	692.00		108
As per APR FY 2021-22			
400 kV	586.36	1560.00	37
220 kV & 132 kV	2508.00	8477.00	273
LI Schemes	668.77	6585.50	197
Total	3763.13	16622.50	507

Transmission charges are not levied on LI schemes as Lift Irrigation loads come under consumer contribution category and billed by TSDiscoms for their energy consumption as per retail supply tariffs approved by the Commission and the transmission charges are already factored in the energy charges. Further, transmission charges are levied on TSDiscoms as per approved capacities of existing and upcoming generation capacities. So any delay in LI schemes does not affect the revenue of TSTransco.

- 3.7.6 There are four (4) gas based IPPs viz., 370 MW GMR Vemagiri (TS share 193.41 MW), 220 MW GVK Extension (TS share 115 MW), 464 MW GVK Gauthami (TS share 242.54 MW) and 444.08 MW Konaseema (TS share

232.14 MW), for which the term of PPA is upto 2029 for GMR Vemagiri and for other three (3) IPPs PPA term is upto 2024.

- 3.7.7 The PPAs in respect of the above said Gas projects are not in operation, as there is no gas supply from March, 2013 onwards and there is no power generation since then. Several litigations are pending before various legal forums. TSDiscoms are not purchasing any power from these power plants due to non-availability of Gas.
- 3.7.8 Transmission capacity created to the extent of the gas projects share (i.e., 783.096 MW) could be utilized in the pool for availing capacities for short term purchases and purchases through power exchanges (spot purchase) if only.
- 3.7.9 The Contracted capacities of these plants were not approved in the Transmission Tariff order dated 20.03.2020 for 4th control period (FY 2019-20 to FY 2023-24) issued by the Commission. As per the MYT approval TSDiscoms are paying monthly transmission charges to TSTransco.
- 3.7.10 TSDiscoms have entered PPAs with NCE generators and as per the PPAs the transmission charges are payable by TSDISCOMs as the TSDISCOMs buy at ex-bus of Generators. The contracted capacities towards the same are approved in the Transmission tariff order and transmission charges are levied on TSDISCOMs for the approved NCE capacity irrespective of the actual generation. So the question stranding of transmission capacity does not arise.

Commission's View

- 3.7.11 The Commission has approved the ARR for FY 2021-22 in accordance with the provisions of Regulation No.5 of 2005 as detailed in the Chapter 4 of the Order.

3.8 ADJUSTMENT OF REVENUE SURPLUS

Stakeholders' Submissions

- 3.8.1 The Commission has issued direction to include and propose the adjustment mechanism of the total approved revenue surplus of Rs.109.04 crore in APR filings for FY 2021-22. There is no clarity on whether the said amount is adjusted or not in proposed APR filings for FY 2021-22.

Applicant's Response

- 3.8.2 As per the direction of the Commission TSTransco has initiated the process of adjustment of the total revenue gap/(surplus) combined for FY 2019-20 & FY 2020-21. During the year, TSTransco has made a reversal entry for an amount of Rs.92.51 crore as against Transmission True-up claim of Rs.543.55 crore towards disallowed claim of FY 2019-20.

Commission's View

- 3.8.3 The Commission has approved the ARR for FY 2021-22 in accordance with the provisions of Regulation No.5 of 2005 as detailed in the Chapter 4 of the Order.

3.9 RESTORATION OF 5% CAPITALISATION AMOUNT

Stakeholders' Submissions

- 3.9.1 TSTransco has sought a true-down of the surplus revenue of Rs.149.85 crore for FY 2021-22 after seeking restoration of 5% capitalisation of amount for the 3rd control period and FY 2019-20 and FY 2020-21 of Rs.394.36 crore, considering the additions made during FY 2021-22 to fixed assets and depreciation on consumer contribution assets as expense and amortization of consumer contribution as non-tariff income, to allow the actual cost of debt as per the audited accounts submitted by TSTransco and consideration of granting an incentive to it for maintaining transmission system losses below the approved loss band during the last three (3) years of the 4th MYT period. The MYT system shows deficiency or lack of scope for redetermining transmission charges for the remaining years of the control period concerned, based on review of performance of the utility for a particular financial year and ongoing trends. For true-up amount, the utility is claiming carrying charges till the same is allowed as pass through by the Commission after completion of the control period concerned and final determination, thereby imposing avoidable burden on the consumers, but no interest is being paid to the consumers for excess payment paid by them which crops in the form of true-down claim till the same is allowed as pass through after completion of the control period concerned and final determination by the Commission need for reviewing and modifying the MYT regulations in a rational way.

Applicant's Response

- 3.9.2 Under the purview of the Commission.

Commission's View

- 3.9.3 The Commission has approved the ARR for FY 2021-22 in accordance with the provisions of Regulation No.5 of 2005 as detailed in the Chapter 4 of the Order.



Chapter-4

Analysis and Conclusions on APR for FY 2021-22

4.1 REGULATORY PROVISIONS

- 4.1.1 The ARR of Transmission Licensee (excluding SLDC activity) for each year of control period shall contain the following items:
- Operation and Maintenance (O&M) expenses;
 - Return on Capital Employed (ROCE);
 - Depreciation;
 - Taxes on Income;
 - Corrections for “uncontrollable” items and “controllable” items; and
 - Any other relevant expenditure.
- 4.1.2 The clause 5 of the Regulation No.5 of 2005 stipulates that till such time as there is complete segregation of accounts between SLDC activity and Transmission Business, the Transmission Licensee shall apportion its costs on the basis of an Allocation Statement.
- 4.1.3 TSTransco has claimed the true-up for FY 2021-22 in accordance with provisions of Regulation No.5 of 2005. TSTransco has also submitted its audited accounts for FY 2021-22 along with the Allocation Statement segregating its actual expenses and revenue between Transmission business and SLDC activity for FY 2021-22.

4.2 OPERATION AND MAINTENANCE (O&M) EXPENSES

Applicant's Submissions

- 4.2.1 The Applicant has claimed O&M expenses of Rs.935.25 crore as against the approved normative expenses of Rs.922.32 crore for FY 2021-22.

Commission's View

- 4.2.2 Clause 10.4 of the Regulation No.5 of 2005 stipulates O&M expenses as controllable item of ARR. On prudence check of annual book of accounts Employee expenses claimed by TSTransco i.e., Rs.944.44 crore does not include Rs. 26.38 crore which is gain on employee defined benefit plans. Taking into account the gain on employee defined benefit plans the Commission deems it fit to approve the actual O&M expenses of Rs.970.82 crore for FY 2021-22.

- 4.2.3 The O&M expenses claimed by the Applicant and approved on true-up is shown in the Table below:

Table 4.1: O&M expenses claimed and approved for FY 2021-22

Rs. in crore

Particulars	Approved in the MYT Order Dt. 20.03.2020	Claimed in APR	Allowable
Employee Expenses	1068.58	944.44	970.82
A&G expenses		65.24	69.46
R&M expenses		51.81	47.59
Capitalised expenses	146.26	126.24	126.24
Net O&M expenses	922.32	935.25	961.63

4.3 CAPITALISATION

Applicant's Submissions

- 4.3.1 The Applicant has claimed the capitalisation of Rs.2404.14 crore as against Rs.4718.61 crore approved by the Commission for FY 2021-22.

Commission's View

- 4.3.2 The Commission noted that the Applicant has claimed capitalisation of Rs.2404.14 crore. The Commission finds that the Applicant has submitted the Government of Telangana State notification vide G.O.Ms.No.10 dated 09.05.2022 by exercising its powers by allowing TSTRANSCO for Self Certification of its own installations irrespective of voltage and granted exemption of certification from Electrical Inspector.
- 4.3.3 In view of the above the Commission, the capitalisation for FY 2021-22 is as given in table below:

Table 4.2: Capitalisation claimed and approved for FY 2021-22

Rs. in crore

Particulars	Approved in the MYT Order dated 20.03.2020	Claimed in APR	Approved
Capitalisation	4718.61	2404.14	2404.14

4.4 REGULATED RATE BASE (RRB)

Applicant's Submissions

- 4.4.1 The Applicant has claimed the Regulated Rate Base (RRB) of Rs.10064.64 crore as against Rs. 11351.61crore approved by the Commission for FY 2021-22.

Commission's View

4.4.2 The Commission has approved the RRB for FY 2021-22 in accordance with the provisions of the Regulation No.5 of 2005. The Commission has considered the opening GFA, opening accumulated depreciation and opening consumer contribution for FY 2021-22, the same as the closing GFA, closing accumulated depreciation and closing consumer contribution for FY 2020-21 in APR order dated 07.04.2022, after releasing 5% withheld capitalisation for 3rd control period and FY 2019-20 & FY 2020-21 and its impact on ARR. The approved capitalisation during the year has been considered as investments capitalised. The actual consumer contributions received during the year has been considered as per the audited accounts. The approved depreciation during the year has been considered as the additions in depreciation. The working capital for the year has been considered as equivalent to 45 days of approved net O&M expenses.

4.4.3 The RRB claimed by the Applicant and approved by the Commission for FY 2021-22 is as shown in the Table below:

Table 4.3: RRB claimed and approved for FY 2021-22

Particulars	Approved in the MYT Order dated 20.03.2020	Claimed in APR	Rs. in crore
			Approved
RRB	11351.61	10064.64	10227.96

4.5 WEIGHTED AVERAGE COST OF CAPITAL

Applicant's Submissions

4.5.1 The Applicant has claimed the Weighted Average Cost of Capital (WACC) of 11.79% as against the WACC of 10.89% approved by the Commission for FY 2021-22.

Commission's View

4.5.2 The Commission has approved ROCE for FY 2021-22 in accordance with the provisions of the Regulation No.5 of 2005. The Debt Equity ratio has been considered as 75:25, the same as approved in the MYT Order and as claimed by the Applicant for true-up. From the WACC claim of the Applicant, the Commission finds that the cost of debt considered by the Applicant is 12.48% whereas, the Commission had approved the cost of debt of 9.85% for FY 2021-22 in the MYT Order. From the actual loan balances and interest

submitted by the Applicant, the Commission has worked out the cost of debt for FY 2021-22 as 10.29%. Therefore, the Commission has considered the cost of debt as 10.29%. The Commission has considered the cost of equity as 14%, same as that approved in the MYT Order.

- 4.5.3 The WACC claimed by the Applicant and approved by the Commission for FY 2021-22 is as shown in the Table below:

Table 4.4: Weighted Average Cost of Capital claimed and approved for FY 2021-22

Rs. in crore

Particulars	Approved in the MYT Order dated 20.03.2020	Claimed in APR	Approved
Debt	75.00%	75.00%	75.00%
Equity	25.00%	25.00%	25.00%
Debt equity ratio	3.00	3.00	3.00
Cost of Debt	9.85%	12.48%	10.29%
Cost of Equity	14.00%	14.00%	14.00%
WACC	10.89%	11.79%	11.22%

4.6 RETURN ON CAPITAL EMPLOYED

Applicant's Submissions

- 4.6.1 The Applicant has claimed Return on Capital Employed (RoCE) of Rs.1186.51 crore as against the RoCE of Rs.1235.91 crore approved by the Commission for FY 2021-22.

Commission's View

- 4.6.2 The Commission has approved RoCE for FY 2021-22 considering the approved RRB and WACC for the year. The RoCE claimed by the Applicant and approved by the Commission for FY 2021-22 is as shown in the Table below:

Table 4.5: Return on Capital Employed claimed and approved for FY 2021-22

Rs. in crore

Particulars	FY 2021-22		
	Approved in Order dated 20.03.2020	Claimed in APR	Approved
Original Cost of Fixed Assets at the beginning of the year	19167.69	18892.35	18857.63
Accumulated Depreciation at the beginning of the year	5969.24	6155.39	6020.54
Consumer Contribution at the beginning of the year	3439.88	3499.68	3467.12
Regulated Rate Base	9758.57	9237.28	9369.97
Investments capitalised during the year	4718.61	2404.14	2404.14
Depreciation during the year	1000.26	889.69	834.93

Particulars	FY 2021-22		
	Approved in Order dated 20.03.2020	Claimed in APR	Approved
Consumer Contribution addition during the year	759.69	90.34	90.34
Change in Rate Base	1479.33	712.06	739.44
O&M expenses	113.71	115.30	118.56
Working Capital	113.71	115.30	118.56
Regulated Rate Base for RoCE	11351.61	10064.64	10227.96
Weighted Average Cost of Capital	10.89%	11.79%	11.22%
Return on Capital Employed	1235.91	1186.51	1147.29

4.7 DEPRECIATION

Applicant's Submissions

- 4.7.1 The Applicant has claimed the depreciation of Rs.889.69 crore as against the depreciation of Rs.1000.26 crore approved by the Commission for FY 2021-22.

Commission's View

- 4.7.2 As regards depreciation, clause 15 of the Regulation No.5 of 2005 stipulates as under:

"15 DEPRECIATION

Depreciation shall be computed in the following manner:

- 15.1 *For each year of control period, depreciation shall be calculated on the amount of Original Cost of the Fixed Assets included in the RRB at the beginning of each year of control period:*

Provided that depreciation on assets funded by consumer/user contributions or through any capital subsidy/grant etc shall not be allowed in the revenue requirement of the Transmission Licensee.

- 15.2 *Depreciation allowance for each year of control period shall be determined, generally based on the methodology, rates and other terms as decided by CERC from time to time.*

- 15.3 *Depreciation shall be charged from the 1st April of the following year from the date the asset is put to use."*

- 4.7.3 The Applicant has claimed that the depreciation was calculated considering the rates of depreciation as notified in CERC (Terms and Conditions of Tariff) Regulations, 2019. The opening value of fixed assets of FY 2021-22 has been considered as equal to the closing value of FY 2020-21 in APR order dated 07.04.2022, after releasing 5% withheld capitalisation for 3rd control period and FY 2019-20 & FY 2020-21 and its impact. The Applicant has claimed the depreciation on the GFA addition during the year also but, the Commission has computed the depreciation considering the approved opening GFA for FY 2021-22 in accordance with the provisions of the Regulation No.5 of 2005.

The depreciation claimed by the Applicant and approved by the Commission for FY 2021-22 is as shown in the Table below:

Table 4.6: Depreciation claimed and approved for FY 2021-22

Rs. in crore

Particulars	Approved in the MYT Order dated 20.03.2020	Claimed in APR	Approved
Depreciation	1000.26	889.69	834.93

4.8 TAXES ON INCOME

Applicant's Submissions

- 4.8.1 The Applicant has claimed the tax on income of Rs.74.58 crore as against Rs.84.11 crore approved by the Commission for FY 2021-22.

Commission's View

- 4.8.2 The Commission has calculated the tax on RoE component for FY 2021-22 based on the Equity component of the RRB and the Minimum Alternate Tax (MAT) Rate (17.47%), which works out to Rs.75.64 crore. In accordance with the provisions of the Regulation No.5 of 2005, the tax on income allowable in ARR shall be limited to tax on RoE component. The tax on income claimed by the Applicant and approved by the Commission for FY 2021-22 is as shown in the Table below:

Table 4.7: Tax on Income claimed and approved for FY 2021-22

Rs. in crore

Particulars	Approved in the MYT Order dated 20.03.2020	Claimed in APR	Approved
Tax on Income	84.11	74.58	74.58

4.9 NON-TARIFF INCOME

Applicant's Submissions

- 4.9.1 The Applicant has claimed the Non-Tariff Income (NTI) of Rs.338.08 crore as against NTI of Rs.378.67 crore approved by the Commission for FY 2021-22 as shown in the Table below:

Table 4.8: Non-Tariff Income as claimed for FY 2021-22

Rs. in crore

Particulars	Approved in the MYT Order dated 20.03.2020	Claimed in APR
Interest on Staff loans and advances	1.00	1.02
Income from investments	8.50	8.81

Particulars	Approved in the MYT Order dated 20.03.2020	Claimed in APR
Interest on Contingency Reserve investments	4.00	5.41
Income from sale of scrap etc.,	4.00	0.00
Supervision Charges	0.00	-43.15
Amortisation of Consumer Contributions, Grants towards cost of fixed assets - LIS Assets	248.69	163.98
Amortisation of Consumer Contributions, Grants towards cost of fixed assets - Other than LIS Assets	102.48	122.30
Income on loans and advances to DISCOMs	0.00	0.00
Unbilled revenue	0.00	-3.47
Fines and penalties	0.00	65.08
AMC charges	0.00	1.54
Rebate	0.00	0.11
Others	10.00	16.46
Total	378.67	338.08

Commission's View

- 4.9.2 The Commission has considered the NTI as per the audited accounts. The NTI claimed by the Applicant and approved by the Commission is as shown in the Table below:

Table 4.9: Non-Tariff Income claimed and approved for FY 2021-22

Rs. in crore

Particulars	Approved in the MYT Order dated 20.03.2020	Claimed in APR	Approved
NTI	378.67	338.08	338.08

4.10 REVENUE REQUIREMENT FOR FY 2021-22

Applicant's Submissions

- 4.10.1 The Applicant has claimed the net revenue requirement of Rs.2747.95 crore as against Rs.2863.93 crore approved by the Commission for FY 2021-22.

Commission's View

- 4.10.2 Based on the above, the revenue requirement approved by the Commission for FY 2021-22 are as shown in the Table below:

Table 4.10: Revenue Requirement claimed and approved for FY 2021-22*Rs. in crore*

Particulars	Approved in the MYT Order dated 20.03.2020	Claimed in APR	Approved
Operation & Maintenance expenses	922.32	935.25	961.63
Return on Capital Employed	1235.91	1186.51	1147.29
Depreciation	1000.26	889.69	834.93
Taxes on Income	84.11	74.58	74.58
Aggregate Revenue Requirement	3242.60	3086.03	3018.42
Less: Non-Tariff Income	378.67	338.08	338.08
Net Revenue Requirement	2863.93	2747.95	2680.34

4.11 REVENUE SIDE TRUE-UP***Applicant's Submissions***

- 4.11.1 The Applicant has claimed the revenue from transmission charges of Rs.2897.80 crore for FY 2021-22.

Commission's View

- 4.11.2 The Commission has considered the revenue from transmission charges as Rs.2897.80 crore for FY 2021-22.

4.12 RELEASE OF 5% WITHHELD CAPITALISATION

- 4.12.1 The Commission, in its 4th MYT order dated 20.03.2020, APR Orders dated 02.09.2021 and 07.04.2022 had withheld 5% of the claimed capitalisation for 3rd control period and FY 2019-20 & FY 2020-21 in the absence of complete details for the same.
- 4.12.2 In the filings of APR 2021-22, the petitioner has submitted the Government of Telangana State notification vide G.O.Ms.No.10 dated 09.05.2022 allowing TSTRANSCO for Self-Certification of its own installations irrespective of voltage and granted exemption of certification from Electrical Inspector.
- 4.12.3 In view of the above the Commission, has released the withheld capitalisation i.e., 5% of actual capitalisation for 3rd MYT and 4th MYT period i.e., for FY 2014-15 to FY 2021-22 and thus after prudence check approved the additional capitalisation.
- 4.12.4 The impact of release of 5% withheld capitalisation amount on ARR as claimed is as shown in tables below:

Table 4.11: Impact of release of 5% withheld capitalization amount as claimed

Rs. in crore

Financial Year	2014-15	2015-16	2016-17	2017-18	2018-19	Total	2019-20	2020-21
Claimed (Actuals)	689.48	1947.38	1789.21	1982.20	3589.79	9998.06	2729.10	1342.03
Approved	655.01	1850.01	1699.75	1883.09	3410.30	9498.16	2561.10	1274.93
Difference in additions	34.47	97.37	89.46	99.11	179.49	499.90	168.00	67.10
increase in Opening GFA		34.47	34.47	34.47	34.47		34.47	34.47
			97.37	97.37	97.37		97.37	97.37
				89.46	89.46		89.46	89.46
					99.11		99.11	99.11
							179.49	179.49
								168.00
Less: Depreciation @ 5.28% (CERC)	1.82	5.14	4.72	5.23	9.48		8.87	3.54
		1.82	1.82	1.82	1.82		1.82	1.82
			5.14	5.14	5.14		5.14	5.14
				4.72	4.72		4.72	4.72
					5.23		5.23	5.23
							9.48	9.48
								8.87
Increase in RRB	16.32	78.76	167.25	256.55	388.50	907.38	553.07	664.41
Approved RoCE Rate	11.43%	10.53%	10.49%	9.64%	9.31%		11.29%	11.24%
RoCE amount	1.87	8.29	17.54	24.73	36.17	88.61	62.44	74.68
Tax on Return on Equity	0.11	0.51	1.08	1.66	2.52	5.88	2.90	3.49
Depreciation	1.82	5.14	4.72	5.23	9.48	26.39	8.87	3.54
		1.82	1.82	1.82	1.82	7.28	1.82	1.82
			5.14	5.14	5.14	15.42	5.14	5.14
				4.72	4.72	9.45	4.72	4.72
					5.23	5.23	5.23	5.23
							9.48	9.48
								8.87
Total						158.26	100.61	116.98
Carrying Cost @ 9.85%						7.79	4.96	5.76
Total						166.05	105.57	122.74
Grand Total								394.36

4.12.5 The impact of release of 5% withheld capitalisation amount on ARR approved is as shown in tables below:

Table 4.12: Impact of release of 5% withheld capitalization amount as approved

Rs. in crore

Financial Year	2014-15	2015-16	2016-17	2017-18	2018-19	Total	2019-20	2020-21
Claimed	689.48	1947.38	1789.21	1982.20	3589.79	9998.06	2729.10	1342.03
Approved	655.01	1850.01	1699.75	1883.09	3410.30	9498.16	2561.10	1274.93
Difference in additions	34.47	97.37	89.46	99.11	179.49	499.9	136.46	67.10
Increase in Opening GFA		34.47	34.47	34.47	34.47		34.47	34.47
			97.37	97.37	97.37		97.37	97.37
				89.46	89.46		89.46	89.46
					99.11		99.11	99.11
							179.49	179.49
								136.46
Less: Depreciation	1.84	5.12	5.17	6.26	11.78		7.12	3.16
		1.84	1.84	1.84	1.84		1.84	1.84
			5.12	5.12	5.12		5.12	5.12
				5.17	5.17		5.17	5.17
					6.26		6.26	6.26
							11.78	11.78
								7.12
Increase in RRB	16.32	78.76	167.02	255.59	385.87	903.56	534.39	631.03

Financial Year	2014-15	2015-16	2016-17	2017-18	2018-19	Total	2019-20	2020-21
WACC	11.43%	10.53%	10.49%	9.64%	9.31%		11.29%	11.24%
RoCE amount	1.87	8.29	17.52	24.64	35.92	88.24	60.35	70.93
Tax on Return on Equity	0.15	0.75	1.59	-	-	2.49	3.96	4.68
Tax Rate @MAT	21.34%	21.34%	21.34%	21.34%	21.34%		17.47%	17.47%
Depreciation	1.84	5.12	5.17	6.26	11.78	30.18	7.12	3.16
		1.84	1.84	1.84	1.84	7.34	1.84	1.84
			5.12	5.12	5.12	15.37	5.12	5.12
				5.17	5.17	10.34	5.17	5.17
					6.26	6.26	6.26	6.26
							11.78	11.78
								7.12
Total						160.23	101.79	116.24
Grand Total								378.25

The Revenue gap on release of 5% withheld capitalisation approved by the Commission is Rs.378.25 crore as against Rs.394.36 crore claimed by the Applicant.

4.13 SUMMARY OF TRUE-UP

Applicant's Submissions

- 4.13.1 The Applicant has claimed the revenue surplus of Rs.149.85 crore for FY 2021-22.

Commission's View

- 4.13.2 Based on the approved ARR and revenue for FY 2021-22, the total revenue gap/(surplus) approved by the Commission on true-up of FY 2021-22 is as shown in the Table below:

Table 4.13: Revenue gap/(surplus) approved by the Commission for FY 2021-22

Rs. in crore		
Particulars	Claimed	Approved
Net Revenue Requirement	2747.95	2680.34
Revenue from Transmission Charges	2897.80	2897.80
Revenue Gap/(Surplus)	-149.85	-217.46
Revenue Gap/(Surplus) due to release of withheld capitalisation	394.36	378.25
Net Revenue Gap/(Surplus)	244.51	160.80

- 4.13.3 As against the revenue surplus of Rs.149.85 crore claimed for FY 2021-22 by the Applicant, the Commission has approved the revenue surplus of Rs.217.46 crore on APR for FY 2021-22.
- 4.13.4 The net revenue surplus after considering the release of 5% capitalisation for 3rd MYT and 4th MYT period i.e., for FY 2014-15 to FY 2021-22 works out to Rs. 160.80 crore against a claim of Rs. 244.51 crore.

4.14 RECOVERY OF REVENUE GAP/(SURPLUS)

4.14.1 The Commission directs the Applicant to include and propose the adjustment mechanism of the total approved revenue surplus of Rs.160.80 crore in its end of control period review petition for 4th control period.

4.14.2 The Petition is disposed of in the above terms.

This Order is corrected and signed on this the 26th day of May, 2023.

Sd/- (BANDARU KRISHNAIAH) MEMBER	Sd/- (M. D. MANOHAR RAJU) MEMBER	Sd/- (T. SRIRANGA RAO) CHAIRMAN
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//CERTIFIED COPY//

**Annexure-I
Public Notice**

Appeared in NAMASTHE TELANGANA and the VAARTHA (Telugu) on
07.01.2023

**గౌరవనీయ
తెలంగాణ రాష్ట్ర విద్యుత్ నియంత్రణ మండలి (TSERC) సమక్షమున
5వ అంతస్తు, సింగరేణి భవన్, లక్ష్మీకాపుల్, రెడ్ హిల్స్, హైదరాబాద్-500004.
ట్రాన్స్మిషన్ కార్పొరేషన్ ఆఫ్ తెలంగాణ లిమిటెడ్ (టిఎస్ట్రాన్స్కో)**

బహిరంగ ప్రకటన

O.P. నెం. 02 ఆఫ్ 2023 మరియు O.P. నెం. 03 ఆఫ్ 2023

1. టిఎస్ట్రాన్స్కో యొక్క ట్రాన్స్మిషన్ వ్యాపారం మరియు స్టేట్ లోడ్ డిస్ట్రీబ్ సెంటర్ (ఎస్ఎల్డిసి) కార్యకలాపాల కొరకు FY 2021-22 కి సంబంధించిన వార్షిక పనితీరు సమీక్ష (ట్రూ అప్) కొరకు తెలంగాణ రాష్ట్ర విద్యుత్ నియంత్రణ మండలి (TSERC) సమక్షంలో ట్రాన్స్మిషన్ కార్పొరేషన్ ఆఫ్ తెలంగాణ లిమిటెడ్ (TSTRANSCO) ఫైలింగ్స్ను దాఖలు చేసినదని యావన్మందికి ఇందుమూలముగా తెలియజేయడమైనది. ఈ ఫైలింగ్స్ O.P. నెం. 2 ఆఫ్ 2023 మరియు O.P. నెం. 3 ఆఫ్ 2023 వరుసగా కమిషన్చే రికార్డులోకి తీసుకోబడినవి.
2. పైన తెలిపిన ఫైలింగ్స్ యొక్క ప్రతులు చీఫ్ ఇంజనీర్ (కమర్షియల్ & ఆర్ఎస్) కార్యాలయం, రూమ్ నెం. 149, 'ఎ' బ్లాక్, TSTRANSCO, విద్యుత్ సౌధ, హైదరాబాద్-500 082 నందు మరియు చీఫ్ ఇంజనీర్ / (మెట్రో జోన్, రూరల్ జోన్, కరీంనగర్ జోన్ మరియు వరంగల్ జోన్) మరియు సూపరింటెండింగ్ ఇంజనీర్/ OMC/ TSTRANSCO (ఖమ్మం, నిజామాబాద్, ఆదిలాబాద్, కరీంనగర్, నల్గొండ, మహబూబ్ నగర్, వరంగల్, హైదరాబాద్లోని మెట్రో ఈస్ట్, మెట్రో వెస్ట్, మెట్రో సెంట్రల్ మరియు సంగారెడ్డి) వద్ద లభిస్తాయి. ఆసక్తి గల వ్యక్తులు సదరు ఏదేని కార్యాలయం నందు కార్యాలయ పని వేళల్లో సదరు ఫైలింగ్స్ను ఉచితంగా తనిఖీ చేసుకోవచ్చును, చదువుకోవచ్చును మరియు నోట్ చేసుకోవచ్చును. ఈ ప్రతిపాదనలు వెబ్సైట్: www.tstranSCO.in నందు కూడా లభిస్తాయి మరియు వీటిని www.tsERC.gov.in నందు చూడవచ్చును. ఫోటోకాపీయింగ్ చార్జీలను నగదుగా చెల్లించి ఈ ఫైలింగ్స్ యొక్క కాపీను పైన తెలిపిన కార్యాలయాల నుండి పొందవచ్చు.
3. సదరు ఫైలింగ్స్ మీద ఆక్షేపణలు / సూచనలు ఏవైనా ఉంటే, వాటిని మద్దతు మెటీరియల్తో పాటు చీఫ్ ఇంజనీర్ / కమర్షియల్ & RAC, రూమ్ నెం. 149, 'ఎ' బ్లాక్, TSTRANSCO, విద్యుత్ సౌధ, హైదరాబాద్ - 500 082 వారికి 09.02.2023, సా|| 5.00 గం||లోపు చేరునట్లు స్వయంగా లేదా రిజిస్టర్డ్ పోస్టు ద్వారా దాఖలు చేయవలెను. వాటి కాపీని తప్పనిసరిగా పైన తెలిపిన చిరునామా వద్ద మరియు కమిషన్ సెక్రటరీ, TSERC వారికి కూడా దాఖలు చేయవలెను. ఆక్షేపణలు / సూచనల మీద తగువిధంగా సంతకం చేయవలెను మరియు సదరు ఆక్షేపణలు / సూచనలను పంపిస్తున్న వ్యక్తి(వ్యక్తుల) పూర్తి పేరు మరియు తపాలా చిరునామాను వాటిలో పేర్కొనవలెను. ఏదేని సంస్థ లేదా ఏదేని కంప్యూమర్స్ కేటగిరీ తరపున ఆక్షేపణలు / సూచనలు దాఖలు చేయబడినట్లయితే, ఆ విషయాన్ని స్పష్టంగా పేర్కొనవలెను.
4. ఆక్షేపణ / సూచనతో పాటు దిగువ తెలిపిన పట్టికను జతపర్చవలెను.

ఆక్షేపణదారు పేరు మరియు పూర్తి చిరునామా	ఆక్షేపణ(లు)/ సూచన(ల)/ యొక్క సంక్షిప్త వివరాలు	ఎస్ఎల్డిసి కార్యకలాపం మరియు ప్రసార వ్యాపారం కోసం వార్షిక పనితీరు సమీక్ష (ట్రూ అప్) కోసం టిఎస్ట్రాన్స్కో ద్వారా ఫైలింగ్లపై అభ్యంతరాలు.	ఆక్షేపణ కాపీ మరియు TSTRANSCO కార్యాలయం వద్ద అందజేయబడినట్లు రుజువు జతచేయబడిందా (అవును /కాదు)	ఆక్షేపణదారు స్వయంగా విచారణలో పాల్గొనదల్చారా (అవును/కాదు)

5. తెలంగాణ రాష్ట్ర విద్యుత్ నియంత్రణ మండలి తేదీ. 27.02.2023 (సోమవారం) ఉ|| 11:00 గంటల నుండి TSERC, 5వ అంతస్తు, సింగరేణి భవన్, లక్ష్మీకాపుల్, హైదరాబాద్లోని కోర్ట్ హాల్లో పబ్లిక్ హియరింగ్ నిర్వహించాలని భావిస్తోంది. వ్యక్తిగతంగా అభ్యంతరాలను వ్యక్తం చేయాలనుకునే వాటాదారులు పబ్లిక్ హియరింగ్ తేదీకి ముందు TSERC సెక్రటరీకి తెలియజేయాలి.

ప్రదేశం: హైదరాబాద్
తేదీ: 07.01.2023
R.O.No. 46/22

సం/-
చైర్మన్ మరియు మేనేజింగ్ డైరెక్టర్
TSTRANSCO

Appeared in THE INDIAN EXPRESS THE HINDU and THE BUSINESS LINE
(English) on 07.01.2023

BEFORE THE HON'BLE
TELANGANA STATE ELECTRICITY REGULATORY COMMISSION (TSERC)
5th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderabad-500 004.
TRANSMISSION CORPORATION OF TELANGANA LIMITED (TSTRANSCO)

PUBLIC NOTICE

O.P. No. 02 of 2023 and O.P. No.03 of 2023

1. Notice is hereby given to all that the Transmission Corporation of Telangana Limited (TSTRANSCO) has filed before the Telangana State Electricity Regulatory Commission (TSERC) for **Annual Performance Review (True up) for FY 2021-22 for State Load Despatch Centre (SLDC) activity and Transmission Business of TSTRANSCO**. These filings have taken on record by the Commission in O.P. No 2 of 2023 and O.P. No 3 of 2023 respectively.
2. Copies of the filings referred are available in the Office of the **Chief Engineer (Comml & RAC), Room No. 149, 'A' Block, TSTRANSCO, Vidyut Soudha, Hyderabad- 500082** and the Chief Engineer/(Metro Zone, Rural Zone, Karimnagar Zone and Warangal Zone) and Superintending Engineer /OMC/ TSTRANSCO (Khammam, Nizamabad, Adilabad, Karimnagar, Nalgonda, Mahabubnagar, Warangal, Metro East, Metro West, Metro Central, Sangareddy-located at Hyderabad). Interested persons may inspect/ peruse the said filings and take note thereof during office hours at any of the said offices free of cost. These proposals are also available on www.tstransco.in and the same may be accessed at www.tserc.gov.in. A copy of these filings can be obtained from the above office from **07.01.2023 onwards** on payment of photocopying charges by cash for Transmission Business and SLDC filings.
3. Objections/ suggestions if any, on the said filings together with supporting material may be sent to the **Chief Engineer (Comml & RAC), Room No. 149, 'A' Block, TSTRANSCO, Vidyut Soudha, Hyderabad-500082** in person or through Registered Post so as to reach on or before **09.02.2023 by 5 pm**. A copy of the same must also be filed with the Commission Secretary, TSERC, at the address mentioned above. The objections/suggestions should be duly signed and should carry full name and postal address of the person(s) sending the objections/ suggestions. If the objections/ suggestions are filed on behalf of any organization or any category of consumers, it should be clearly mentioned.
4. The Objection/Suggestion should accompany the following statement as an overleaf:

Name & full address of the Objector	Brief details of Objection(s)/ Suggestion(s)	Objections against filings by TSTRANSCO for Annual Performance Review (True up) for SLDC activity and Transmission Business.	Whether copy of objection & proof of delivery at TSTRANSCO's office enclosed (Yes/No)	Whether Objector wants to be heard in person (Yes/No)

5. Telangana State Electricity Regulatory Commission intends to conduct a Public Hearing in the **Court Hall of TSERC, 5th floor, Singareni Bhavan, Lakdi-ka-pul, Hyderabad on 27.02.2023 (Monday) from 11:00 hrs onwards**. The Stakeholders desiring to be heard in person shall inform to Secretary, TSERC before the date of Public Hearing.

Place : Hyderabad

Date : 07.01.2023

R.O.No. 46/22

Sd/-
Chairman and Managing Director
TSTRANSCO

Annexure-II
**List of Stakeholders who submitted Written Objections/
Suggestions**

Sl. No.	Name and Address of the stakeholder
1	Sri M. Venugopala Rao, Senior Journalist & Convenor, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalist's Colony, Gopanpally, Serlingampally Mandal, Hyderabad 500 032.
2	Southern Power Distribution Company of Telangana Limited, # 6-1-50, Corporate Office, Mint Compound, Hyderabad 500 063.
3	Northern Power Distribution Company of Telangana Limited, # 2-5-31/2, Corporate Office, Vidyut Bhavan, Nakkalagunta, Hanumakonda, Warangal 506 001.

Annexure-III
**List of Stakeholders who attended the Public Hearing held on
27.02.2022**

Sl. No.	Name and Address of the stakeholder
1	Sri M. Venugopala Rao, Senior Journalist & Convenor, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalist's Colony, Gopanpally, Serlingampally Mandal, Hyderabad 500 032.
2	Southern Power Distribution Company of Telangana Limited, # 6-1-50, Corporate Office, Mint Compound, Hyderabad 500 063.
3	Northern Power Distribution Company of Telangana Limited, # 2-5-31/2, Corporate Office, Vidyut Bhavan, Nakkalagunta, Hanumakonda, Warangal 506 001.