

SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED



RESPONSES TO OBJECTIONS / SUGGESTIONS

On

ARR & Tariff Filings Proposals of Retail Supply Business for FY 2023-24

and

Power Purchase True-Ups for FY 2016-17 to FY 2022-23

Response to the objections of Sri. Sanjay Suraneni

| S.No. | Summary of Objections / Suggestions | Response of the Licensee |
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| 1 | The present objections, suggestions and submissions are being filed on behalf of Bharti Airtel Limited in reply to the Public Notice issued by Telangana Electricity Regulatory Commission dated 21.12.2022. | No Comments |
| 2 | That this Hon'ble Commission has issued the Public Notice dated 21.12.2022 ('Public Notice') inviting objections/submissions on the Aggregate Revenue Requirement ("ARR") & Tariff Proposals for Retail Supply Business for Financial Year 2023-24 proposed by Co-Operative Electricity Supply Limited, Sircilla in O.P. No. 79 of 2022, Northern Power Distribution Company in O.P. No. 80 of 2022 and Southern power Distribution Company of Telangana Limited in O.P. No. 81 of 2022 and submitted to this Hon'ble Commission for consideration. | No Comments |
| 3 | It is submitted that our company Bharti Airtel Ltd. ('Airtel') is a global communications solutions provider with over 491 Mn customers in 17 countries across South Asia and Africa. Airtel is one of the largest players in the Indian Telecom Sector with diversified operations in Telecom Infrastructure, Equipment, Mobile Virtual Network Operators (MNVO), White Space Spectrum, 5G, Telephone Service Providers and Broadband. Airtel ranks amongst the top three mobile operators globally and its network covers over two billion people. Airtel is India's largest integrated communications solutions provider. Airtel's retail portfolio includes high speed 4G/4.5G mobile broadband, Airtel Xstream Fiber that promises speeds up to 1 Gbps with convergence across linear and on-demand entertainment, streaming services spanning music and video, digital payments and financial services. For enterprise customers, Airtel offers a gamut of solutions that includes secure connectivity, cloud and data center | No Comments |

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| | services, cyber security, IoT, Ad Tech and CPaaS (Airtel IQ) | |
| 4 | It is submitted that the Government of India has granted infrastructure status to the telecom tower provided industry in the year 2012 to boost the development of telecom infrastructure in India. It is submitted that over the last seven years, the Indian Telecom Tower industry has grown significantly by 65%. The number of mobile towers increased from 400,000 in 2014 to 660,000 in 2021. Similarly, the number of Mobile Base Transceiver Stations have grown rapidly by 187% and increased from 800,000 in 2014 to 2.3 mn in 2021. Rural tele-density jumps from 44% in March 2014 to 58% in October 2022. The telecom sector continues to play a leading role in successful implementation of various Government programmes like Digital India, Make in India, and development of Smart Cities. These programs and initiatives present plethora of opportunities for the telecom sector especially for the telecom infrastructure providers as the telecommunication infrastructure is the bedrock for achieving the vision of Digital India. | No Comments |
| 5 | It is submitted that the Information Technology, Electronics and Communications (Promotions) Department, Government of Telangana published ICT Policy ('ICT Policy') addressing the current needs of the industry. The Goal of the ICT Policy 2021-2026 is to achieve digital empowerment of every citizen, meaning that every citizen is fully aware of digital opportunities for his needs, and has the wherewithal to access them. A copy of the ICT Policy is filed as Annexure No.1. | No Comments |
| 6 | In the said ICT Policy, the State of Telangana has identified eight Focus Sectors such as Life Sciences and Healthcare, BFSI, Computing Systems, Automotive/Mobility, Semiconductors, Energy, Aerospace & Defence, Retail and Telecom as sectors with great potential to grow and to adopt digital-based solutions at a rapid pace in the next 5 years. | No Comments |

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| 7 | It is pertinent to submit that the Telecom Sector is a foundational pillar and acts as a backbone to the IT Industry. This is because fast internet and leased line connections provided by the Telecom Sector is foundational for smooth functioning and growth of the IT Industry. The ICT Policy as a measure for development of start-up ecosystem also highlights the importance of 5 G Cellular networks which is directly dependent on the telecommunication towers. | No Comments |
| 8 | ICT Policy acknowledges that Hyderabad is one of the first cities in India which has had pilots for 5G communication services done by their telecom partners. That, in future, the State will formulate adequate strategies to enable citizens in both rural and urban locations to use 5G technology. In order to achieve this, the ICT Policy states that “sufficient relaxations and the Right of Way orders will be provided to ease the entry of telecom service providers.” | No Comments |
| 9 | Further, the ICT Policy expressly states that the State will provide certain incentives in power, certification, subsidies etc to IT and ITeS Companies to support the IT industry. As stated above, since the Telecom Sector is included within the IT Industry, incentives in power, certification etc should also be provided to the telecom sector. Therefore, it is submitted that industrial tariff should be made applicable to the telecom sector. | TS Discoms submit that the matter of providing incentives/subsidies to any category of consumers is under the purview of the GoTS and as per Section 65 of Electricity Act, 2003 the State Government shall provide the subsidy in advance to the Discoms. It is submitted that the Electricity Regulatory Commission’s and Utilities function on the principles of Electricity Act, 2003. |
| 10 | It is submitted that our company and several others in the Telecom Sector are incurring huge capital expenditure and operational costs in establishing 5G Cellular network. High costs are being incurred by Airtel to cater to the demand of 5G Cellular networks not only to the IT Industry but also to retail customers in the State of Telangana. One of the main and significant costs is the electricity tariff charged to the telecom towers. Currently, the Telecom towers are charged under the LT II (B) Non-Domestic/Commercial category of tariff. Under the current tariff applicability, the operational costs of | As per the definition stated in the Tariff Order 2022-23 for LT-Category III “Industrial purpose shall mean, supply for purpose of manufacturing, processing and/or preserving goods for sale, cold storage/cold storage godowns but shall not include shops, business houses, offices, public buildings, hospitals, hotels, hostels, choultries, restaurants, clubs, theaters, cinemas, bus stations, railway stations and other similar premises, notwithstanding any manufacturing, processing or preserving goods for sale.” As there is no manufacturing, processing and preserving goods activity, |

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| | <p>telecom towers works out to a substantial amount which makes it difficult for the telecom companies to sustain such infrastructure.</p> | <p>Telecom towers are being categorised under LT-II-Non-Domestic/Commercial category.</p> <p>Further to the above it is to inform that LT-II Non Domestic/Commercial category is applicable for</p> <p>a) Consumers who undertake Non Domestic activity.</p> <p>b) Consumers who undertake Commercial activity.</p> <p>c) Consumers who do not fall in any other LT category i.e., LT - I, LT - III to LT -IX categories.</p> <p>d) Consumers who avail supply of energy for lighting, fans, heating, air conditioning and power appliances in Commercial or Non-Domestic premises such as shops, business houses, offices, public buildings, hospitals, hostels, choultries, restaurants, clubs, theatres, cinema halls, bus stands and attached offices, railway stations, timber depots, photo studios, printing presses, all servicing & repairing centres (other than that of TSERC), bus depots (other than that of TSERC), laundries, warehouses, godowns (other than cold storage godowns) etc.</p> <p>e) Educational institutions run by individuals, Non-Government Organizations or Private Trusts including student hostels of such educational institutions.</p> <p>It means LT-Cat II is not only applicable for commercial activity but also for the activities which are not covered in any other LT categories. As Cell towers business does not fall under any of LT -I,III,IV,V,VI&VII categories, it comes under LT-II category.</p> |
| 11 | <p>It is submitted that the Telecom Regulatory Authority of India in its report titled, "Recommendations on Use of Street Furniture for Small Cell and Aerial Fiber Deployment" dated 29.11.2022, after careful examination of the functioning of the telecom sector and after having considered the vital role</p> | <p>It is to be noted that the Recommendations provided by various bodies are not binding upon the utilities or the Electricity Regulatory Commissions which function on the principles of Electricity Act, 2003.</p> |

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| | being played by the telecommunication and broadband service sector in the economic growth of connected areas and the charges currently raised for providing electricity to telecom sites are very high, as such, has also recommended that it is justified that telecom sites should be provided electricity connection at industrial/utility tariffs. Copy of the report dated 29.11.2022 is filed as Annexure No. 2. | |
| 12 | It is submitted that Airtel currently has 10000 telecom towers in the State of Telangana and Electricity consumption details for the year 2021-2022 are filed herewith as Annexure No.3. | No Comment |
| 13 | It is submitted that additionally, enhanced fiberization is a must for 5G services and to achieve the targets fixed by the National Broadband Mission (NBM) of 50 lakh km fiberization, 70 per cent tower fiberization and 50 megabits per second speed of broadband. This would entail heavy capital expenditure, thus, raising the cost of telecom services, leading to a greater digital divide. According to the industry estimates, almost 30 per cent of the operational expense for the telecom towers goes into electricity tariffs, which works out to be a substantial amount, thus, making it crucial for this Hon'ble Commission to categorise the telecom companies under the industrial category, thereby, lowering the burden on the telecom companies which would indirectly lead to facilitating affordability of telecom services to the end customer. | It is to be noted that retail supply tariff is a sensitive issue and it involves consideration of multiple factors including consideration of ensuring financial viability of the sector. It is always a challenging task to the regulatory authorities to balance the interests of several stakeholders involved. |
| 14 | It is submitted that the Information Technology, Electronics and Communications (Promotions) Department, Government of Andhra Pradesh vide G.O.MS.No.6 dated 16.07.2021 has notified the "Andhra Pradesh IT Policy 2021-2024" addressing the current needs of the industry. As per the AP IT Policy 2021-2024, the Telecommunications service provider has been defined as: "Telecommunications service provider includes basic telecom | |

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| | <p>serviceproviders (fixed), cellular (mobile) companies, telecom infrastructure companies, Internet Service Providers (ISP) and any other value-added services licensed by Ministry of Electronics and Information Technology (MeitY), Government of India.”</p> <p>It is further submitted that the AP IT Policy 2021-2024 has expressly included ‘Telecom’ within the ambit of IT Industry/IT Projects. Also, that the AP IT Policy 2021-2024 has expressly mandated under Paragraph 8 (vi) that all IT Companies operating in Andhra Pradesh shall be eligible for industrial tariff towards their power consumption. As stated above, the AP IT Policy 2021-2024 includes the Telecom Sector within the IT Industry, hence, in light of the same, industrial tariff was made applicable to the telecom sector. Copy of the report dated 29.11.2022 is filed as Annexure No. 4..</p> | <p>Categorization of activity may differ from one state to another state based on the policies of the state government and local conditions. This has been affirmed by Hon’ble Appellate Tribunal of Electricity in Appeal No. 265 of 2014</p> <p><i>“The State Commission may take reference from the orders passed by other State Regulatory Commissions while considering the categorization of various class of consumers for tariff applicability but it is not mandatory for compliance, however, the State Commissions have to comply with the principles set out in Sec 62 (3) of the Electricity Act, 2003.”</i></p> |
| 15 | <p>It is submitted that the Government of Maharashtra, as part of their IT/ITES policy notified the applicability of industrial tariff to the telecommunication towers instead of commercial tariff. It is submitted that the Maharashtra State Electricity Regulatory Commission (MSERC) after taking into consideration the IT/ITeS policy of the Government of Maharashtra specifically categorised Telecommunication Towers in the Industry Tariff vide its order dated 30.03.2020 in Case No. 322 of 2019. In furtherance to the same the Maharashtra State Electricity Distribution Company Ltd. vide Circular Order No. 323 dated 03.04.2020 has revised the electricity tariff for telecommunication towers by placing them in the Industrial Category. The relevant portion of the MSERC order dated 30.03.2020 in Case No. 322 of 2019 on Page 684 and 685 of the said Order are extracted below:</p> <p>“HIGH TENSION (HT) TARIFF</p> <p>HT I: HT - Industry</p> <p>HT I (A): Industry - General Applicability:</p> | |

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| <p>This tariff category is applicable for electricity for Industrial use at High Voltage for purposes of manufacturing and processing, including electricity used within such premises for general lighting, heating/cooling, etc.</p> <p>It is also applicable for use of electricity / power supply for Administrative Offices / Canteen, Recreation Hall / Sports Club or facilities / Health Club or facilities/ Gymnasium / Swimming Pool exclusively meant for employees of the industry; lifts, water pumps, fire-fighting pumps and equipment, street and common area lighting; Research and Development units, etc. -</p> <p>Provided that all such facilities are situated within the same industrial premises and supplied power from the same point of supply.</p> <p>This tariff category shall be applicable for use of electricity / power supply by an Information Technology (IT) or IT-enabled Services (ITeS) Unit as defined in the applicable IT/ITeS Policy of Government of Maharashtra.</p> <p>It shall also be applicable for use of electricity / power supply for (but not limited to) the following purposes:</p> <ol style="list-style-type: none">1. Flour Mills, Dal Mills, Rice Mills, Poha Mills, Masala Mills, Saw Mills;2. Ice Factories, Ice-cream manufacturing units, Milk Processing / Chilling Plants (Dairy);3. Engineering Workshops, Engineering Goods manufacturing units; Printing Presses; Transformer Repair Workshops; TyreRemoulding/Rethreading units, and Vulcanizing units;4. Mining, Quarrying and Stone Crushing units;5. Garment Manufacturing units6. LPG/CNG bottling plants, etc.;7. Sewage Treatment Plant/ Common Effluent Treatment Plant for industries, and not covered under the HT - PWW | |
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| | <p>category</p> <p>8. Start-up power for Generating Plants, i.e., the power required for trial run of a Power Plant during commissioning of the Unit and its Auxiliaries, and for its start-up after planned or forced outage (but not for construction);</p> <p>9. Brick Kiln (Bhatti);</p> <p>10. Biotechnology Industries covered under the Biotechnology Policy of Government of Maharashtra;</p> <p>11. Cold Storages not covered under HT - Agriculture (Others);</p> <p>12. Food (including Seafood and meat) Processing units.</p> <p>13. Stand-alone Research and Development units.</p> <p>14. Seed manufacturing.</p> <p>15. Dedicated Water Supply Schemes to Power Plants</p> <p>16. Auxiliary Power Supply to EHV/Distribution Substations (but not for construction)</p> <p>17. Telecommunications Towers“</p> <p>A copy of the IT/ITES policy of the Government of Maharashtra is filed herewith as Annexure No. 5. A copy of the Maharashtra State Electricity Regulatory Commission’s order dated 30.03.2020 in Case No. 322 of 2019 is filed herewith as Annexure No 6. A copy of the Circular Order No. 323 dated 03.04.2020 issued by Maharashtra State Electricity Distribution Company Ltd. is filed herewith as Annexure No.7.</p> | |
| 16 | <p>It is submitted that the National Tariff Policy, 2016 in clause 8.3 lays down principles for “Tariff Design: Linkage of tariffs to cost of services”. One of the principles specifically states that the tariff should progressively reflect the cost of supply of electricity and suggests that appropriate commissions should take steps to ensure that the tariffs are within 20% of the average cost of supply of electricity. However, the present tariff in the State of Telangana</p> | <p>TS Discoms are trying their level best to ensure that the tariffs are within 20% of the average cost of supply of electricity.</p> <p>It is to be noted that retail supply tariff is a sensitive issue and it involves consideration of multiple factors including consideration of ensuring financial viability of the sector. It is always a challenging task to the regulatory</p> |

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| | <p>in the commercial category is far more than the average cost of supply, especially for the telecom industry. It is pertinent to reiterate that the telecom infrastructure companies are incurring huge capital expenditure and operational costs to smoothly transition the 5G technology as per the Prime Minister's Gatishakthi Programme. The high commercial electricity tariffs currently being charged on the telecommunication towers are only adding to the existing difficulties such as low return on investments and poor revenue realisation in rural areas. Hence, it is the need of the hour for this Hon'ble Commission to review the tariff under the ICT Policy and categorise telecommunication towers under i.e. LT III (A) tariff category i.e. the Industry (General) Tariff Category.</p> <p>A copy of the National Tariff Policy, 2016 is filed herewith as Annexure No. 7.</p> | <p>authorities to balance the interests of several stakeholders involved.</p> |
| 17 | <p>It is submitted that this Hon'ble Commission has ample power under Sections 61,62 and 86 of the Electricity Act, 2003 to revise the tariff for telecommunication towers from Commercial Tariff Category to Industrial Tariff Category.</p> | |
| 18 | <p>It is submitted that the above stated policies of the Government of Telangana and the Government of India is to enable growth in the IT Industry, not only to attract investments but also in turn to generate employment and grow the infrastructure. Hence, in light of the same it is requested that this Hon'ble Commission may be pleased to consider the present request for change in tariff from Commercial Tariff Category to Industrial Tariff Category.</p> | |
| 19 | <p>It is submitted that if the Telecommunication towers are not placed in the Industrial Tariff Category it will cause undue loss to the telecom sector and will hinder the development and progress of the telecom sector.</p> | |

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| 20 | It is submitted that each of the objections/suggestions/submission is without prejudice to each other. Airtel craves leave of this Hon'ble Commission to make additional submissions at the time of public hearing. | No comment |
| 21 | It is submitted that Airtel is filing these objections/suggestions/submissions without prejudice to its rights and contentions under law. | No comment |
| | In view of the above, it is humbly prayed that this Hon'ble Commission may be pleased to revise the tariff towards telecommunication towers and categorise the telecommunication towers under the. LT III (A) tariff category i.e., the Industry (General) Tariff Category under the Telangana's ICT Policy 2021 - 2026, as the same would facilitate affordability of telecom services to the general public and bridge the digital divide. | |