



KARNATAKA ELECTRICITY REGULATORY COMMISSION

TARIFF ORDER 201 5

OF

GESCOM

(Under MYT Framework)

ON

ANNUAL PERFORMANCE REVIEW FOR FY14
&
REVISED ARR & RETAIL SUPPLY TARIFF FOR FY16

2nd March 2015

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ABBREVIATIONS	
AAD	Advance Against Depreciation
AEH	All Electric Home
ABT	Availability Based Tariff
A&G	Administrative & General Expenses
AG	Accountant General
APDRP	Accelerated Power Development and Reforms Programme
APR	Annual Performance Review
APV	Above Poverty Line
ARR	Annual Revenue Requirement
ATE	Appellate Tribunal for Electricity
ATL	Anti Theft Law
BBMP	Bruhut Bangalore Mahanagara Palike
BEE	Bureau of Energy Efficiency
BJ	Bhagya Jyothi
BMAZ	Bangalore Metropolitan Area Zone
GESCOM	Bangalore Electricity Supply Company
BNC	Billing & Collection
BPL	Below Poverty Line
BRAZ	Bangalore Rural Area Zone
BWSSB	Bangalore Water Supply & Sewerage Board
CAG	Comptroller & Auditor General
CAGR	Compound Annual Growth Rate
CDT	Commission Determined Tariff
CERC	Central Electricity Regulatory Commission
CE	Chief Engineer
CEA	Central Electricity Authority
CESC	Chamundeshwari Electricity Supply Corporation
CGR	Consumer Growth Rate
CGS	Central Generating Stations
CKM	Circuit Kilometre
CMD	Chairman & Managing Director
CPI	Consumer Price Index
CPRI	Central Power Research Institute
CoS	Cost of Service
DA	Dearness Allowance
DC	Direct Connection
DC LINES	Double Circuit Lines
DCB	Demand Collection & Balance
DG PLANT	Diesel Generating Plant
DMS	Distribution Management System
DPR	Detailed Project Report

DRUM	Distribution Reforms, Upgrade & Management
DSM	Demand Side Management
DTC	Distribution Transformer Centre
EC	Energy Charges
EHT	Extra High Tension
EHV	Extra High Voltage
EOU	Export Oriented Units
ERC	Expected Revenue From Charges
ES&D CODE	Electricity Supply & Distribution Code
ESCO	Electricity Service Companies
ESCOMs	Electricity Supply Companies
FC	Fixed Charges
FDSC	Foreign Debt Service Charges
FEC	Fuel Escalation Charges
FAC	Fuel Adjustment Cost
FY	Financial Year
FEV	Foreign Exchange Variation
GESCOM	Gulbarga Electricity Supply Company
GFA	Gross Fixed Assets
GIS	Geographical Information System
GoI	Government of India
GoK	Government of Karnataka
HESCOM	Hubli Electricity Supply Company
HP	Horse Power
HT	High Tension
HV	High Voltage
Hz	Hertz
IDC	Interest During Construction
IP SETS	Irrigation Pump Sets
IPPs	Independent Power Projects/ Producers
KEB	Karnataka Electricity Board
KER Act	Karnataka Electricity Reform Act
KERC	Karnataka Electricity Regulatory Commission
KJ	Kutira Jyothi
KM/Km	Kilometre
KPCL	Karnataka Power Corporation Limited
KPTCL	Karnataka Power Transmission Corporation Limited
KV	Kilo Volts
KVA	Kilo Volt Ampere
KW	Kilo Watt
KWH	Kilo Watt Hour
LDC	Load Despatch Centre
LT	Low Tension

MAT	Minimum Alternate Tax
MD	Managing Director
MESCOM	Mangalore Electricity Supply Company
MFA	Miscellaneous First Appeal
MGHE Station	Mahatma Gandhi Hydro Electric Station
MIS	Management Information System
MNR	Meter Not Recording
MoP	Ministry of Power
MU	Million Units
MUSS	Master Unit Sub Station
MVA	Mega Volt Ampere
MVAR	Mega Volt Ampere Reactive
MW	Mega Watt
MYT	Multi Year Tariff
NFA	Net Fixed Assets
NTPC	National Thermal Power Corporation
O&M	Operation & Maintenance
PCKL	Power Corporation of Karnataka Ltd.,
PFC	Power Finance Corporation Limited
PGCIL	Power Grid Corporation Of India Limited
PKCL	Power Corporation of Karnataka Ltd.,
PLF	Plant Load Factor
POCA	Power Purchase & Other Cost Adjustment
PPA	Power Purchase Agreement
PPCA	Power Purchase Cost Adjustment
PRDC	Power Research & Development Consultants
PTC	Power Trading Corporation
RE	Rural Electrification
RGGVY	Rajiv Gandhi Grameena Vidyuth Yojana
R&M	Repair and Maintenance
RLMS	Rural Load Management System
ROE	Return on Equity
ROR	Rate of Return
RTPS	Raichur Thermal Power Station
SC & ST	Schedule Caste & Schedule Tribe
SC LINE	Single Circuit Line
SEB	State Electricity Board
SERCs	State Electricity Regulatory Commissions
SLDC	State Load Despatch Centre
SPV	Special Purpose Vehicle
T&D	Transmission & Distribution
TCs	Transformer Centres
TERI	The Energy & Resource Institute

TPC	Tanirbavi Power Company
TRL	Total Revenue Management
UG CABLES	Underground Cables
VC	Variable Charges
VVNL	Visvesvaraya Vidyuth Nigama Limited
WPI	Wholesale Price Index
YOY	Year on Year

KARNATAKA ELECTRICITY REGULATORY COMMISSION,
BANGALORE - 560 001

Dated this 2nd day of March, 2015

C f X Y f c b ; Annual Performance Review for FY14 and Revised ARR &
Retail Supply Tariff for FY16

In the matter of:

Application of GESCOM in respect of the Annual Performance Review for FY14 and Revised ARR & Retail Supply Tariff for FY16 under Multi Year Tariff framework.

Present: Shri M.R.Sreenivasa Murthry Chairman
 Shri H.D.Arun Kumar Member
 Shri D.B.Manival Raju Member

O R D E R

The Gulbarga Electricity Supply Company Ltd., (hereinafter referred to as GESCOM) is a Distribution Licensee under the provisions of the Electricity Act 2003, and has on 08.12.2014 filed the following applications for consideration and orders:

- a) Approval of the Annual Performance Review for the financial year FY14 and Revision of ARR for FY16.
- b) Approval of the revised distribution and Retail Supply Tariff for the financial year 2015-16 (FY16).

In exercise of the powers conferred under Sections 62, 64 and other provisions of the Electricity Act, 2003, read with KERC (Terms and conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, and other enabling Regulations the Commission has carefully considered the applications and the views and objections submitted by the consumers and other stakeholders. The

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CHAPTER 1

INTRODUCTION

1.0 Brief History of GESCO:

Gulbarga Electricity Supply Company Ltd., (GESCOM) is a Distribution Licensee under Section 14 of the Electricity Act 2003 (hereinafter referred to as the Act). GESCOM is responsible for purchase of power, distribution and retail supply of electricity to its consumers and also providing infrastructure for open access, Wheeling and Banking in its area of operation which includes six Districts of the State as indicated below:



1. Bellary
2. Bidar
3. Gulbarga
4. Koppal
5. Raichur
6. Yadgir

GESCOM is a registered company under the Companies Act, 1956, incorporated on 30th April, 2002. GESCOM commenced its operations on 1st June, 2002.

At present GESCO's area of operations is structured as follows:

O&M Zones	O&M Circles	O&M Divisions
Gulbarga zone	Gulbarga Circle	Gulbarga CSC Division
		Gulbarga Rural -I Division
		Gulbarga Rural -II Division
		Sedam Division
	Bidar Circle	Bidar Division
		Humnabad Division
Yadagir Division		
Bellary Zone	Bellary Circle	Bellary CSC Division
		Bellary Rural Division
		Hospet Division
		Rural Division
	Raichur Circle	Raichur CSC Division
		Raichur Rural Division
		Sindanoor Division
		Gangavathi Division
		Koppal Division

The O & M divisions of GESCOM are further divided into subdivisions. Each sub-division is having two to three O& M section offices.

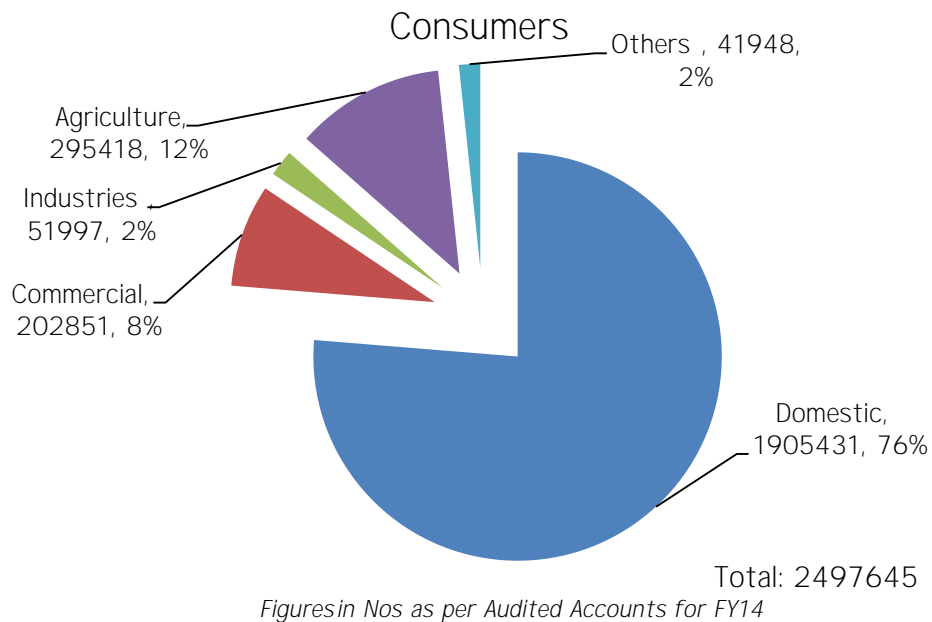
The section offices are the base level offices looking into operation and maintenance of the distribution system in order to provide reliable and quality power supply to;

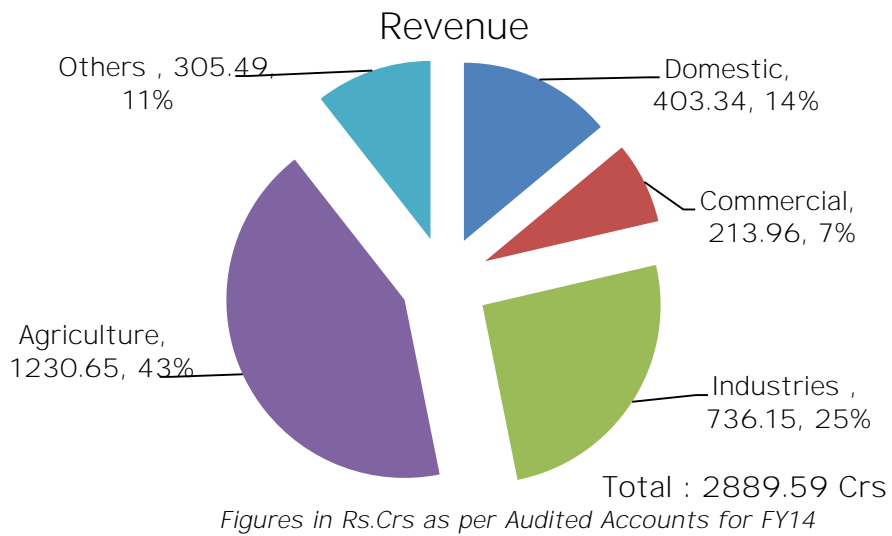
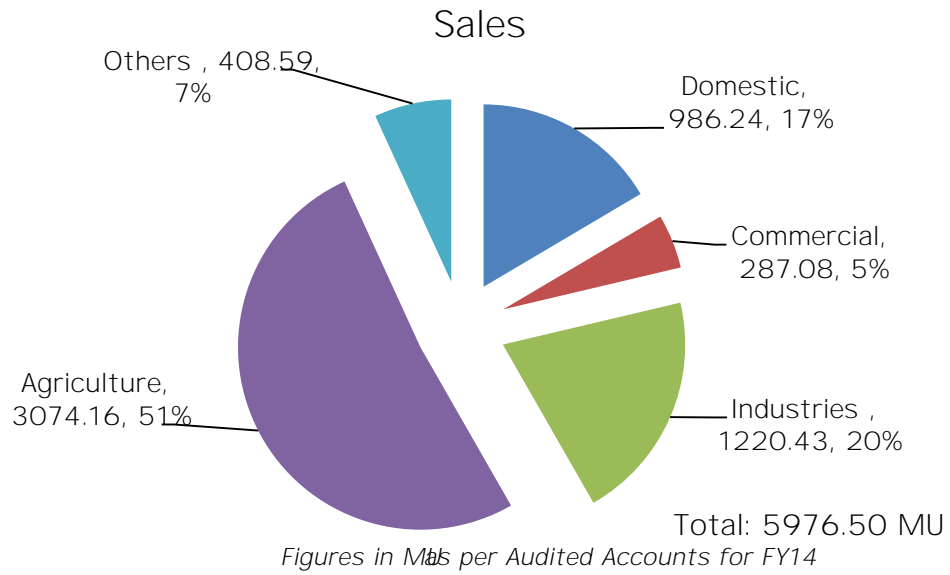
1.1 GESCOM at a glance

The profile of GESCOM is as indicated below:

Sl. No.	Particulars (As on 3-03-2014)		Statistics
1.	Area	Sq. km.	43861
2.	Districts	Nos.	6
3.	Taluks	Nos.	31
4.	Population	lakhs	112
5.	Consumers	lakhs	2497
6.	Energy Consumption	MU	5976.50
7.	Zone	Nos.	2
8.	DTCs	Nos.	68135
9.	Assets	Rs. in Crores	5126.29
10.	HT lines	Ckt. kms	45131.79
11.	LT lines	Ckt. kms	78895.66
12.	Total employees strength:		
A	Sanctioned	Nos.	7900
B	Working	Nos.	5017
13.	Revenue Demand	Rs. in Crores	2892
14.	Revenue Collection	Rs. in Crores	2652

1.2 Number of Consumers, Sales in Mu and Revenue details of GESCOM in FY14 is as follows:





GESCOM has filed its application for approval of Annual Performance Review for FY14, revised Annual Revenue Requirement (ARR) and Retail Supply Tariff for FY16.

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CHAPTER 2

SUMMARY OF FILING& TARIFF DETERMINATION PROCESS

2.0 Background for Current Filing

The Commission in its Tariff Order dated 6th May, 2013 had approved the ERC for FY14 to FY16 and the Retail Supply Tariff of GESCO M for FY14 under MYT principles for the control period of FY14 to FY16. GESCO M in its present application filed on 8th December , 2014 has sought approval for the Annual Performance Review (APR) for FY14 based on the audited accounts, Revised ARR for the 3rd year of the third control period i.e. FY16 and Revised Retail Supply Tariff for FY16

2.1 Preliminary Observations of the Commission

After a preliminary scrutiny of applications the Commission had communicated its observations to GESCO M on 12th December , 2014, which were mainly on the following points:

- Ø Details to be furnished in formats
- Ø Sales Forecast
- Ø Power Purchase
- Ø O&M Expenses
- Ø Distribution losses
- Ø Capex

In response GESCO M has furnished its replies on 19th December, 2014. The replies furnished by GESCO M are considered in the respective Chapters of this Order.

2.2 Public Hearing Process

2.2.1 As per the Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, read with the KERC Tariff Regulation 2000, and KERC (General and Conduct of Proceedings) Regulations, 2000, the Commission in its letter dated 30th December, 2014 treated the application of GESCOM as petition and directed GESCOM to publish the summary of ARR and Tariff proposals in the newspapers calling for objections, if any, from interested persons.

Accordingly, GESCOM has published the same in the following newspapers:

Name of the News Paper	Language	Date of Publication
DECCAN HERALD	English	2/1/2015 & 3/1/2015
INDIAN EXPRESS		
VIJAYA KARNATAKA	Kannada	
UDAYAVANI		

The application on APR of FY14, revision of ARR and retail supply tariff for FY16 was also hosted on the web sites of GESCOM and the Commission for the ready reference and information of the general public.

In response to the application of GESCOM, the Commission has received four statements / letters of objections. GESCOM has furnished its replies to all these objections. The Commission has held a Public Hearing on 13th February, 2014 at Gulbarga. The details of the written / oral submissions made by various stake holders and the responses from GESCOM thereon have been discussed in Chapter - 3 of this Order.

2.3 Consultation with the Advisory Committee of the Commission

The Commission has also discussed the proposals of KPTCL and all ESCOMs in the State Advisory Committee meeting held on 25th February, 2014. During the meeting the following important issues were also discussed:

- Ø Projection of Power availability for FY16
- Ø Performance of KPTCL / ESCOMs during FY14
- Ø Major items of expenditure of KPTCL / ESCOMs

Members of the Committee have offered valuable suggestions on the proposals. The Commission has taken note of these suggestions while passing the order.

CHAPTER 3

PUBLIC CONSULTATION

SUGGESTIONS / OBJECTIONS & REPLIES

- 3.1 The Commission undertook the process of public consultation in order to obtain suggestions/views/objections from interested stakeholders on the Tariff Applications filed by GESCOM. In the written submissions as well as during the public hearing some Stake-holders and public have raised several objections to the Tariff Applications filed by GESCOM. The names of the persons who have filed written objections and made oral submissions are given below.

List of persons who filed written objections:

<i>Sl. No</i>	<i>Application No.</i>	<i>Name & Address of Objectors</i>
1	GA -01	Sri. N.C. Gopinathan, Hon. General Secretary, KASSIA
2	GA -02	Sri. Deepak G Gala, President, Hyderabad Karnataka Environment Awareness & Protection Organisation, Kalaburagi
3	GA -03	Sri. S Sampathraman, President, FKCCI
4	GB-01	Sri.Radhakrishna S. Raghaji & others,Hyderabad Karnataka Chamber of Commerce & Industry, Kalaburagi.
5	AE -01	Farmers from Kolar/ Chikkaballapur
6	AE -2	Sri M Subbanna, Bengaluru
7	AE -3	Sri Mekala Eshwara Reddy, President, Yuvasena Social Action Club, Ballari
8	AE -4	Sri B S Raghavendra Rao, Mysuru
9	AE -5	Doddanavar Global Energy Pvt Ltd, Bengaluru
10	AE -6	Sri C Girisha& others, Anekal
11	AE -7	Sri P B Mahesh, Anekal

List of the persons who made oral submissions during the Public Hearing on 13.02.2015.

SL.No.	Name & Address of Objectors
1	Sri Deepak G. Gala, Hyderabad Karnataka Environment Protection & Awareness Organisation
2	Sri C.V. Ramana Murthy, Chief Manager, HPCL
3	Sri Ramulu Reddy, Hyderabad Karnataka Chamber of Commerce & Industry
4	Sri Siddaramaiah Hiremath, RTI Association, Kalaburagi
5	Sri Deepaknath Punneshetty, ZP Member
6	Sri Bhimashankar Kalshetty, Consumer
7	Sri Siddaiah, Farmer, Lingasugur Tq.
8	Sri Baswanth Rao Valkeri, ExChairman, GDA
9	Dr. Shailendra Beldale, ZP Member, Bidar
10	Sri B.M. Ravura, Social Activist, Kalaburagi
11	Sri Nagaraj, Ward No.48, Tarfile
12	Sri Sangamanath O. Hiregowda, President, Yuva Karnataka Rakshana Vedike
13	Dr. Raju Hulageri, Kalaburagi
14	Sri Siddu, Representative of Vijayavani

The above persons have raised several issues concerning (i) Tariff (ii) Quality of power supply and service (iii) Cc a d `] U b WY ` c Z ` 7 c a a] g g] c directives (iv) Wheeling & Banking and have made certain specific requests. The following are the objections and comments received on j U f] c i g `] g g i Y g ` f Y ` Uriff] application and the response of U GESCOM: -

3.2 Tariff related issues

- 1) As on 01.03.2013, the long pending arrears to be recovered are: Rs.900 Crores from IP set Consumers, Rs.700 Crores from Water supply and street light consumers, Rs.20 Crores from HO Consumers and Rs.160 Crores from others totaling to Rs.1780 Crores. Such long pending arrears will affect the cash flow of GESCOM and action should be taken to collect such arrears.

Arrears should be collected from other defaulting consumers by taking the assistance of Vigilance Police.

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GESCOM is collecting the arrears as per Karnataka Recovery of dues Act-1976. Efforts are on for recovery of dues from IP set category and Government Departments (towards Water Supply and Steet Light arrears). In order to collect the remaining dues of about Rs.261.10crores from other categories of consumers, GESCOM is taking action by mass collection drives, disconnection of the installations having arrears by segregating age wise arrears analysis, etc.

2) ; 9 G 7 C A ` \ U g ` b c h ` Z i f b] g \ Y X ` h \ Y ` U i X] h c f Ñ g ` f Y d c f h ` k U g ` b c h ` V Y ` i d ` c U X Y X ` k] h \ with profit and loss accounts.

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At the time of filing the petition, h \ Y ` 8] f Y W h c f g Ñ ` f Y d c f h ` k U g ` b c h ` V Y ` i d ` c U X Y X ` k] h \ The AGM of the Company was convened on 31/12/2014 and hence, the 8] f Y W h c f g Ñ ` F Y d c f h ` W c i ` X ` b c h ` V Y ` i d ` c U X Y X ` k] h \

3) The Commission has to Summon CRA-1, cost records as per subsection 1 of the section 642 read with subsection (4) of section 233B and subsection (1) of section 227 of the Companies Act, 1956(1 of 1956) for determination of tariff.

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Cost Audit Report as required under the Companies Act has been done and uploaded onto the website of the MCA, New Delhi.

- 4) There are glaring and serious gaps in the data in the formats filed for revision of tariff. Format -23 is empty. Hence, the tariff revision is to be kept in abeyance till it is submitted and approved by the Commission.

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The information/documents required to be filed along with the Tariff Filing have been submitted to the Commission.

- 5) In Appeal No. 46 of 2014, the State Commission has been directed to show the opening and closing figures of GFA along with break-up of equity and loan component in the tariff order. But, the directions are not complied with. So also, GESCOM has not followed the judgment pertaining to capitalization of consumer security deposit and maintaining the accounts. GESCOM's consumer Security Deposit is capitalized pursuant to the State Government order. Hence, GESCOM should not claim ROE for the same and it should not be allowed in ARR. As per the judgment of the Tribunal, the State Commission is not bound to follow the audited accounts and the State Commission can scrutinize the same and allow the expenditure only after prudence check. The depreciation of assets is to be made as per the norms envisaged in the Companies Act/Statutory Regulations. The depreciation of assets is not in line with the

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The details of the Gross Fixed Assets with opening balance and closing balance have been provided in the Format D -15. The Details of the loans have been provided in Format D -8. The proportionate depreciation on the assets created out of Consumer contribution and grants have been deducted from the depreciation claimed. The category wise Cross

Subsidy calculated is furnished in the replies to the observations. Cross subsidies will be reduced progressively.

- 6) The ESCOMs have indicated a total loss of Rs.41655 Crores in their tariff proposals and sought an increase of 80 paise per unit, but the reasons for the same are not furnished to the consumers.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9 .

For FY16 the revenue realization is estimated at Rs.3295.72 Crores and estimated ARR for FY16 is Rs.3819.09 Crores and the gap of Rs.523.37 Crores needs to be filled up by increase of tariff by 80 paise/unit

- 7) The application is not maintainable as it is not filed 120 days before the commencement of the next financial year as required by the MYT Regulations.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCOM had sought extension of time for filing ARR and ERC of FY16 up to 13.12.2014, as the power purchase cost furnished by PCKL required reconciliation between ESCOMs. The Commission had granted time up to 13.12.2014. GESCOM has filed the petition on 08.12.2014, within the extension of time granted by the Commission.

- 8) GESCOM has not indicated steps taken to improve its efficiency in distribution business so that gains could be transferred to the consumers. Distribution loss in some areas of GESCOM is very high (25%) and no action is taken to reduce the loss.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCOM has taken up various E&I works and the distribution loss has been reduced from 26% in FY08 to 17.77% in FY14. Further it is planning to reduce the loss to 16.5% in FY16. This will result in saving in purchase of power which will be transferred to consumers in tariff.

- 9) GESCOM has shown a gap of Rs.349.34 Crores for FY16 without indicating the Regulatory asset. A deficit of Rs.308.78 Crores of FY14 should not be considered in the revision. The deficit for FY16 is stated to be Rs.349.34 Crores without mentioning the amount of arrears to be recovered from local bodies. If the GoK pays the arrears, there would be no gap for FY16.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

The gap for FY16 is Rs.523.37 Crores including Regulatory Asset of Rs.72.97 Crores. GESCOM has mentioned Rs.172.97 Crores for FY16 as Regulatory Assets in the Format A page No. 101 of petition. Tariff sought is based on the revenue earned on accrual basis and not on actual recovery. Hence, tariff filing is no way related to arrears outstanding. Even if, the Government pays the arrears of local bodies, the tariff of other consumers will be reduced.

- 10) As per the Tariff Policy, the tariff to be fixed should be within +20 % of the Cost to Supply. If the tariff approved by the Commission, it is not possible to verify whether the proposed tariff is within limits.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

The Commission ensures the tariff is within +/- 20 % of the average cost of supply.

11) The solar water heater helps in bringing down the morning peak load. Hence, the solar rebate as at present should be continued or enhanced to Rs.100/-. Discount for using solar power should be increased to Rs.700 per month.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCOM is following the Regulations in the matter of solar water heaters.

12) The Cross Subsidy being paid by the industrial consumers needs to be reduced to make them viable and the tariff should be fixed on the basis of cost of supply.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

12) The uniform tariff hike sought by all ESCOMs is not proper as the cost of distribution is different for different ESCOMs.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCOM will abide by the tariff decided by the Commission.

13) The number of unmetered DTCs has gone up by 31.40%, as against 18.45% in the previous year. GESCOM should be directed to meter all the DTCs.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

In GESCOM out of 69749 DTCs, 27865 DTCs are installed meters. Energy auditing is carried out on 5295 DTCs.

14)GESCOM is purchasing power on short term basis at high costLow cost hydropower needs to be allocated to GESCOM by pool allocation of energy.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

Energy allocation to all ESCOMs is made by PCKL.

15)The interest onSecurityDeposits should bepaid on par with SBI base rate.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

Interest on Consumer Deposits is as per Bank Rate on 1st April.

16)The CERC has determined the tariff for the power purchased from UPCL power. The tariff should have been specifically approved by the State Commission as per section 62 of Electricity Act, 2003 and judgment of < c b Ñ V ` Y ` 5 H 9 `] b ` h \ Y ` W U g Y ` c Z ` H 5 B ; 9 8 7 C ` J g ` D Y b (Appeal No. 112 of 2012). Hence, the cost incurred for power purchase from un-approv ed sources should not be passed on to the consumers.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

PCKL has been authorized to purchase of power on behalf of all ESCOMs duly taking approval from the Commission.

17)GESCOM has come out with highly unrealistic investment plan for ¥16 which is unlikely to be implemented and therefore the Commission has to cap the Capex to the MYT approved level. The item-wise Capex should be subjected to prudence check by the Commission.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

The Capex of GESCOM is subjected to prudence check by the Commission. GESCOM has proposed Rs.575.75 Crores budget for FY15 and planned to execute works of Rs.448.98 Crores and financial booking to the tune of Rs.375.75 Crores. The outlay booked up to Jan 2015 is Rs.136 Crores. Interest on CAPEX is allowed by the Commission to the extent of actual borrowing, subject to prudence check. The proposed CAPEX could not be achieved due to the delay in the tendering process.

18)The payment to generators made under section 11 should not be loaded on to the distribution companies and their consumers.

; 9 G 7 C A Ñ g ' F 9 G D C B G 9

GESCOM is wholly owned by Government of Karnataka.

19)5 g ' d Y f ' h \ Y ' ^ i X [a Y b h ' c Z ' < c b Ñ V ` Y ' 5 H 9 '] b ' G = 9 @ ' @ \ U j Y ' ^ i I h U d c g Y X ' h U f] Z Z ' f Y j] g] c along with subsidies and cross subsidies.

; 9 G 7 C A Ñ g ' F 9 G D C B G 9

Cross subsidies will be reduced progressively.

20)The salary of employees working in power sector is more than that of the Govt. offices. Hence, the pay should not be increased to all employees for another 10 years and the retirement age should be reduced to 55 years. The employees proved errant should be removed from service and no allowance given to them.

; 9 G 7 C A Ñ g ' F 9 G D C B G 9 .

The employees are working loyally in the company. As per the Service rules action is taken against the officers/employees found guilty. The pay and allowances are paid as per Rules.

21) No study is initiated to make a comparative analysis of the electricity tariff in other neighboring States and the tariff in Karnataka is high compared to other States.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9 .

This aspect is not in the purview of GESCOM.

22) Tenders are being finalized at price of 20% more than bid price by illegal methods, causing loss to the Company.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9 .

Based on the Schedule of Rates and considering market prices and the procurement rates of other ESCOMs, the tendering is carried out.

23) Heavy amount is being spent on improving the Office and on luxury items like furniture, computer, mobile phones, etc.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9 .

To facilitate providing quality power supply to the consumers, modern equipments are made use of.

3.3 Quality of power supply and service :

24) Reasons for loss are unscientific extension of lines and installation of transformers.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9 .

GESCOM is functioning as per the provisions of the Electricity Act, 2003 and the Regulations.

25)BJ connections are being given to rich people instead of poor and such misuse should be checked.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9 .

GESCOM will take action to disconnect the installations, if any misuse is found and will issue bills.

26)Old transformers are to be replaced by new transformers to reduce losses.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9 .

GESCOM is procuring 3*** rated transformers to reduce the distribution loss.

27)Encouragement should be given for use of solar power and instructions should be issued to install solar street lights in urban and rural areas.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9 .

GESCOM is publishing advertisements in News Papers to encourage consumers to use and install solar power generation.

28)For new layouts, it is provided in Clause 3.2.3 of Conditions of Supply that the developers have to carry on the work on self-execution basis. In reality, the Officers are recognizing new layouts as unauthorized layouts and providing electricity supply, causing loss to the Company.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9 .

Based on the techno-economical feasibility, the works of providing electricity to the layouts are undertaken.

29)GESCOM has not started Bachat lamp Yojana till now.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

DELP scheme is proposed for replacing three incandescent bulbs of 60 Watt LEDbulbs of 7 Wattfor each household.

30)The progress of NJY is 50 % and GESCOM has not indicated the time in which all the feeders will be completed.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

Implementation of NJY is proposed to be completed by the end of March, 2015

26)The total number of vacancies in the staff is 37%.Such shortage of staff will affect the quality of service and reduce collection efficiency.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCOM is taking action to fill up the vacancies as per the direction of Government of Karnataka .

31)Any Time Payment machines installed at six locations are not functioning since 3 ½ years rendering the expenditure wasteful.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

RESPONSE

GESCOM has taken action to rectify faulty ATP machines.

32)GESCOM should create awareness among consumers about the Standard of Performance (SoP) Regulations and CGRF.

; 9 G 7 C A R E S P O N S E

The booklets of SoP are printed and distributed to the public during important events/exhibitions, etc.

33)The earlier RLMS in GESCOM is to be subjected to technical audit.

; 9 G 7 C A R E S P O N S E

RLMS Scheme is closed in GESCOM.

3.4 C c a d `] U b W Y ` c Z ` 7 c a a] g g] c b Ñ g ` X] f Y W h] j Y g .

34)The unscheduled load shedding without the approval of the Commission has adversely affected the industries. GESCOM has failed to supply power to the commercial and Industrial category round the clock. The frequent load shedding in GESCOM has badly affected the industrial productivity.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

Prior intimation of load shedding is given to the consumers. GESCOM is striving hard to supply quality and reliable power to its consumers by adding new Sub-stations and 33 kV lines, replacing the old conductors by new conductors of higher capacity on distribution lines and shifting of transformers to the load centres. The hours of power supply arranged in GESCOM to various types of feeders, is as follows:

Sl. No	Type of feeder	Number	Hours of power supply
1	City & Towns	244	23 to 24 Hrs
2	Industrial	58	24 Hrs
3	Water Supply	55	24 Hrs
4	NJY	139	21 to 22 Hrs
5	Rural other than NJY	694	15 to 16 Hrs
6	IP	204	7 Hrs

In case of failure/shortage in generation or power supply from Central Power Grid, directions are received from LDC, Bengaluru to reduce the load. In such instances, load shedding is done feeder-wise on rotation basis. Frequent interruptions to Industrial / Commercial Consumers are avoided to ensure that the production in Industries is not affected.

35) GESCO has not furnished the details as to whether the peak load has reduced after the implementation of the ToD tariff. If the peak load has not reduced, the Commission may cancel the ToD compulsion and make it optional.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

Fixing of ToD meters is to encourage the consumers to use energy at off peak Hours and to discourage the consumers to use energy at peak Hours.

36) GESCO has stated that, timer switches are installed to 110 street lights. But, it has not mentioned the time required to complete installation of timer switches to all street lights.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

Letters have been addressed to the DCs/Commissioners/CEOs for installation of timer switches to street lights. If the Local bodies do not install timer switches, GESCO proposes to take up these works at its own

cost by inviting tenders and claim the charges from the respective Local authorities.

37)The HT:LT ratio of GESCO is at 1:1.67 and has to be brought to 1:1, as per the directives of the Commission.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCO has not furnished any response.

38)GESCO has not shown any seriousness in complying with the directives of the Commission viz.,HVDS, DSM in agriculture, DTC metering, reduction of distribution losses, reducing HT: LT ratio, energy audit, improving reliability, reducing accidents, installation of prepaid meters, Consumer indexing, metering of IP sets & BJ/KJ and 100% metering of installations. The data furnished by GESCO in the tariff petition reveals that, the number of human fatal accidents from April, 2014 to October 2014 is 68, animal fatal accidents are 147 and human non-fatal accidents are 77. This indicates that,GESCO is not taking steps to prevent such accidents. Disciplinary action should be taken against the negligent staff responsible for the accidents

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCO has proposed to implement HVDS on pilot basis at Turavihal Hobli in Sindhnanur Taluk at an estimated cost of Rs.11.89 Crores. Based on the results, the same will be extended to other places.

Under DELP scheme, 3 incandescent bulbs of 60W will be replaced by LED bulbs of 7W in each house. Further, the following steps are proposed to be taken:

- i. Replacing high wattage fixtures such as HPSV, HPMV with low wattage LED fixtures for street lights proposed.
- ii. The Energy conservation building code (ECBC) is being formulated.
- iii. Time of day tariff with appropriate tariff structure to attract consumers to use energy during non-peak hours and reduce energy costs is in the pipeline.
- iv. Under Capacity Building programme, GESCOM has signed a MOU with BEE, to provide consultancy support, prepare DSM action plan and provide training on Demand Side Management to 20 Engineers and another MOU with Energy Efficiency Services Limited (EESL) for providing the consultancy support and prepare DSM action plan for GESCOM. On the basis of the load research report EESL will make the DSM action plan for GESCOM. The data collection and survey work is under process. It is proposed to create independent DSM Cell in GESCOM.

In RAPDRP Scheme, energy auditing work is in progress in 21 towns. Further energy meters are provided to 27865 Rural DTCs. Energy auditing is being carried out in 5295 DTCs. For the remaining DTCs, tagging of installations is in progress.

To reduce electrical accidents the following measures have been taken:

Electrical Safety Month was conducted during January , 2014 During the month 630 hazardous locations were identified and action plan prepared to rectify the defects. 321 hazardous locations were rectified at a cost of Rs.299.60 Lakhs and other works are in progress. Training

was conducted in all the Divisions with the involvement of public and educational institutions

GESCOM has taken action to carry out periodical and preventive maintenance works on distribution system provide intermediate poles on LT/ HT lines replace deteriorated conductors / broken poles in LT/HT lines and set right the slanted poles by foot concreting, rectify loose spans in HT/LT lines provide clearance to the LT/HT Lines which are passing near the buildings, procure safety materials for field staff and impart training to Group C and D employees through Rural Electrification Corporation on franchisee selection, safety measures etc., under RGGVY scheme.

GESCOM has already taken action for procurement of 2.5 lakh single phase static meters for replacement of existing Electromechanical meters in 21 towns under RAPDRP scheme.

GESCOM has planned to meter all the Street Light installations during FY15. GESCOM has completed GIS mapping of 21 Towns under RAPDRP Programme. The Compliance to the Directives of the Commission is furnished in Tariff Petition in page No. 8 to 19.

39) The data for energy loss from FY14 FY16 reveals that, 55% of the sale of electricity is to consumers without meters. To accurately determine the distribution loss and cross subsidy, 100% metering is required. Section 55 of the Electricity Act, 2003, requires supply of electricity by installing meters.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCOM is promptly following section 55 of the Electricity Act-2003 to fix the meters to all types of installations for supply of electricity. GESCOM

has achieved 100% metering in all categories of installations except IP Sets, BJ/KJ and Streetlight light installations.

The energy meters fixed to IP sets were removed by the farmers. Hence, further metering of IP sets was not taken up by GESCOM. Instead, GESCOM is assessing the IP set consumption based on pilot readings taken from the meters fixed to feeders predominantly feeding IP sets.

40) The consumption from the unmetered installations should be disallowed. Accordingly, the unmetered consumption of GESCOM needs to be disallowed as it has failed to comply with the directives of the Commission to fix meters to all installations.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

In ATE Judgment in Appeal No 181 of 2005, the DISCOM had been calculating the unmetered consumption based on the running hours of the tube-wells / IP Sets. The case law is not applicable to GESCOM. GESCOM has been arriving at the IP Set consumption based on the sample meter readings of the area.

41) GESCOM should take effective measures curb the theft of power. The Vigilance staff should work more effectively.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9
RESPONSE

GESCOM has established Vigilance Police Station in every district. The vigilance activities are strictly monitored on case to case basis by the Superintendent of Police and one Executive Engineer (Ele.,) Vigilance.

Raids are conducted regularly in theft prone areas. The details are as follows:

Sl. No	Particulars	FY-14	FY-15 upto Sep-14
1	Total number of installations inspected	9160	3445
2	Total number of cases booked	8428	3022
3	Cognizable cases	6958	2263
4	Back Billed amount in Rs. Lakhs	761.23	240.13
5	Compounding charges (Rs. In Lakhs)	223.89	75.43
6	Non cognizable cases No s.	1470	759
7	Back Billed amount in Lakhs	512.84	429.10
8	Total penalty levied CC & NC cases (Rs. In lakhs)	1497.96	744.66

3.5 Wheeling & Banking:

42) Doddannavar Global Energy Private Limited (DGEPL) has requested for discontinuing cross subsidy charges levied on wind projects in the State as wind power cannot be traded in open market and should be supplied within the State. It has stated that, the ESCOMs are claiming the demand charges in the bills as well as factoring in the ARR calculations. Hence, wind power should not be considered as open access power and cross subsidy needs to be removed for wind power and demand charges should be deleted.

GESCO A Ñ g ' F 9 G D C B G 9 .

As many HT consumers are going for Open Access, if Cross subsidy is removed, GESCOM will be put to loss. If the generator has to sell the energy to any other person other than ESCOMs, Open Access is the only means. Demand charges are collected for the investment made to

create infrastructure. Tariff is determined to bridge the gap between Expenditure and Income .

As Demand Charges are part of Revenue , it is necessary to collect the same to compensate loss

3.6 Specific Requests:

43) KASSIA has requested to provide independent feeders for the industries to reduce the interruptions.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCOM has provided independent feeders to Industries which are located in approved Industrial areas and to EHT Consumers. GESCOM is approving independent feeders to other industries on request under self execution.

44) KASSIA has requested that, as Software Companies have good paying capacity they should be in the Commercial category.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCOM has not furnished any response.

45) Open Access facility should be provided to consumers with less than 1 MW demand.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCOM has not furnished any response.

46) The energy intensive industries like foundries, forging shops steel mill, blow moulding heat treatment shops in Karnataka are not able to compete with the neighboring States due to higher cost of power and hence need reduction in tariff.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

The entire Southern region is facing serious energy shortage and the cost of power is increasing. Power purchase cost constitutes 85% to 90% of the annual revenue requirement of GESCO and it is not feasible to reduce tariff.

47) High load factor industries are to be incentivized to attract investments by having a different category of tariff as practiced in other SERCs. A special category of tariff is to be created for energy intensive units with demand more than 85%

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

The matter needs to be studied, on the economic feasibility. The Commission needs to decide this aspect.

48) Restructuring of the power tariff needs to be done by removing the existing slab system and categorization of consumers. It is suggested that the average cost of power supply per unit should be the tariff per unit.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

GESCO has not furnished any response

49) The Hyderabad Karnataka region being a backward area, should be given a tariff holiday, as the productivity in all sectors will be hit by the tariff hike.

; 9 G 7 C A Ñ g ` F 9 G D C B G 9

There is a gap in the revenue requirement and revenue receipt as shown below.

Amount Rs.in Crores

Year	Revenue Receipts	Revenue Requirement	GAP
2013.14	2933.12	3241.90	308.78
2014.15	3141.86	3339.20	197.36
2015.16	3295.72	3819.09	523.37

To bridge the gap, GESCOM has filed an application to increase the tariff by 80 paise on all categories of consumers.

FOLLOWING ADDITIONAL ISSUES WERE RAISED DURING THE PUBLIC HEARING HELD ON 13-2-2015 AT KALABURGI

1. Power audit by third party needs to be done.
2. The capacity of the transformers needs to be balanced with load, as failure of transformers due to overload.
3. There is no mention of unauthorized IP sets in the tariff petition filed. Unauthorized IP sets need to be regularized to receive subsidy from the Govt.
4. Safety audit should be conducted by independent agencies and action needs to be taken on the negligent staff responsible for electrical accidents. Adequate compensation needs to be provided in case of electrical accidents.
5. Street light tariff should be increased to the local bodies that do not provide Timer Switches.
6. Arrears prior to 2005 from IP set consumers should be recovered.
7. Distribution losses are in the range of 25 to 30% in major cities/towns like Bidar, Shahabad etc. Vigilance checks have to be intensified in such places. Cases have to be booked immediately on detection of theft

of electricity without giving room for any delay/malpractices and the
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Action should be taken on Vigilance Staff for reducing the penalty
amount from Rs 14 lakh to Rs 6 lakh in respect of a case booked
relating to theft of electricity in Vikatasagar in Chincholi taluk.

8. Sale of energy to unmetered installations has increased to 55% whereas, the sale to metered installations has come down.
9. In Sulthanpura, out of 167 IP set installations, 5 are defunct, but subsidy has been claimed by GESCOM for such defunct installations.
10. Complaints are not registered at Centralized Consumer Call Centre and prompt action is not taken to redress the complaints.
11. Most of the consumers are not aware of the provisions of SOP. Hence, SOP Regulations have to be supplied to the consumers and SOP should be implemented strictly.
12. Instead of waiving off the 10 year-old dues as doubtful debts, GESCOM needs to collect the same.
13. H \ Y ` 7 c a a] g g] c b ` g \ c i ` X ` b c h ` U d d f c j Y ` h \ Y ` ; 9
digitizing the documents at Rs 80 crore, as it is a wasteful expenditure and a burden on the consumers.
14. GESCOM is not taking action to adjust the 2 MMD against the arrears in case of delay in payment of bills beyond 2 months.
15. Pre-paid meters have to be introduced for industrial consumers as promised.
16. 6 hours of power supply is not being extended to agricultural feeders which are segregated under NJY in Chincholi taluk. 7 hours of power should be provided during day time for agricultural feeders, instead of at night, as farmers are exposed to unsafe conditions.

17. To improve the low voltage problem in Lingasgur Taluk, additional transformers need to be installed.
18. Action should be initiated to collect arrears from Panchayaths particularly in Sonia Gandhi colony, Malgathi and Bapujinagar areas where there is power theft and heavy arrears are pending .
19. Concessional tariff should be extended up to 100 units from the existing 30 units in the first slab.
20. Even though, the loads are bifurcated into Commercial and Industrial use in HPCL, the appropriate tariff is not charged.
21. The tender process for providing infrastructure to unauthorized IP sets under regularization scheme in Bidar district needs to be completed in a fixed time frame.
22. Purchase order for supply of RCC/PSC poles is issued at 24% higher rates. Purchases should be made in a transparent manner.
23. Billing problem in Infosys software is not rectified yet. Hence, fine should be collected from the company for deficiencies in service.
24. Consumer interaction meetings are not regularly held. Consumers should be informed in advance about such meetings and schedule of meetings should be hosted on GESCO's website.
25. Several members of the public and organisations like FKCCI have expressed the view that assessment of consumption by ESCOMs as supply made to IP sets is exaggerated, and a part of the commercial losses including deficient billing of power supplied to consumers and unauthorised use / theft of power is possibly included in the quantum of energy assessed as IP set consumption. They have urged that measures should be put in place urgently for ensuring a more accurate assessment of IP sets energy consumption as well as

detection of commercial and technical losses in the area of each ESCOM.

3.7 7 c a a] g g] c b Ñ g ' j] Y k g .

The Stake-holders have raised several issues concerning the filing of application, compilation of accounts by ESCOMs, classification of tariff, improving the distribution efficiency including reduction of losses etc., The Commission is of the view that most of these issues are dealt with in the Chapter dealing with Directives and compliance elsewhere in this Order. However, the views of the Commission on each of the issues are discussed below:

Long-pending arrears from the Consumers to be recovered:

GESCOM has furnished the details of arrears and the action being taken to recover the arrears. Commission directs GESCOM to pursue the matter with the GoK for recovery of dues from Local Bodies.

Non-Z i f b] g \] b [' c Z ' 5 i X] h c f Ñ g ' U b X ' 8] f Y W h c f Ñ g ' F Y d Account .

GESCOM has clarified the matter. However, the Commission is of the view that, all the documents relating to tariff applications should be made available on the website for information of the stakeholders.

Regarding summoning of cost records

G 9 G 7 C A Ñ g clarified that Cost Audit Report has been done and the same is uploaded the website of MCA New Delhi.

Regarding Gaps in data in the formats filed before the Commission:

The figures furnished by the GESCOM; or for that matter by all licensees are scrutinized thoroughly before the issuance of Tariff Orders by the Commission, by obtaining all the relevant details from the licensee

Regarding Non-compliance of orders of the ATE in Appeal No.46 of 2014

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cross subsidy for FY16 in the relevant chapter of this Order.

Regarding non -furnishing of reasons for the financial losses of ESCOMs:

GESCOM has furnished the reasons for its proposal for increase in Tariff.
However, the Commission will scrutinize all the proposals before taking a
decision in the matter.

Regarding Non -maintainability of the application due to delay in filing:

GESCOM has filed its petition for tariff revision for FY16 on December,
2014 within the time limit extended by the Commission. The Commission
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Licensee is unable to file ARR petition due to some reasons, it will not be
proper to say that the application has to be rejected. What could be
done in such situation is that the carrying cost can be denied and not the
f Y j Y b i Y ' f Y W c j Y f U V ` Y ' Z c f ' h \ Y ' d Y f d a s e X t h e c Z ' X Y ` U m l
revenue requirement sought is from April, 2015 and therefore, the time
taken by GESCOM for filing the application will not adversely affect the
7 c b g i a Y f g Ñ '] b h Y f Y g h "

Regarding high distribution losses in certain areas, and efficiency gains to
be passed on the Consumers:

On the losses, GESCOM has furnished the reply. As regards passing on the
efficiency gains to consumers is concerned, the Commission has been
issuing directions to improve the efficiency in operations of the ESCOMs

and while fixing the tariff in terms of Regulations, the efficiency gains are being passed on to the consumers.

Regarding Regulatory Asset not to be allowed in ARR of FY16:

In the 7th May, 2014, it was decided to treat a part of the deficit as Regulatory Asset, to be recovered over the next two years i.e. FY16 and FY17. There are no restrictions in the Regulations to carry over the deficit after undertaking the Annual Performance Review (APR), based on audited accounts, the net deficit or surplus has to be carried forward to the next ARR.

Regarding non-approval of GESCOs' Cost to Serve tariff to plus or minus 20% of the cost of supply.

As per the Tariff Policy the tariff should be within the range of $\pm 20\%$ of the average cost of supply. But due to difference in average cost of supply for different consumer categories, bringing tariff in line with the Tariff Policy norms of $\pm 20\%$ has to be achieved in a phased manner which, otherwise may result in huge burden to some of the consumers.

Regarding Use of Solar Heaters and enhancing the solar rebate to Rs.100:

The Solar water heater incentive has been introduced to encourage more and more number of people to use solar water heaters. The Commission does not find any justifiable reasons for increasing the solar rebate.

Regarding Reduction of Cross Subsidy & fixing of tariff on Cost to supply:

The Commission has been adopting the average cost of supply to determine the retail tariff. Adoption of Cost to Serve concept requires capturing the data in respect of demand of each category of consumer in a scientific manner. The distribution network of Karnataka is such that, it is difficult to segregate the common cost between voltage levels. It has

been the Commission has indicated the tariff progressively and to introduce the Cost to Serve concept at an appropriate time. However, the Commission has indicated the tariff category-wise cross subsidies in this Order.

Regarding request for uniform tariff hike is not proper:

The figures furnished by GESCO for fixation of uniform tariff are based on its own projection of power purchase and other costs for FY16. However, the fixation of tariff is based on the figures as per the audited accounts and the approved ARR for the next year with reference to the actuals. The Commission would conduct due diligence before accepting the claims of GESCO for determination of tariff.

Regarding DTC metering & energy auditing:

GESCO has furnished the replies regarding action taken to provide meters to DTCs and to conduct energy audit. The Commission has been issuing directives to complete 100% metering of the DTCs and to conduct energy audit to initiate remedial measures based on results of energy audit. Fresh directives would be issued in this regard.

Regarding Allocation low cost hydro power to GESCO:

As classified by GESCO, the Commission notes that the allocation of power is being done by the Government.

Regarding allowing interest on security deposits at SBI base rate:

The Commission is allowing the interest on security deposits as per the provisions of the Electricity Act 2003 and the Regulations made there under, by the Commission.

Tariff of UPCL determined by CERC and not by KERC:

The UPCL is an inter-state power producing company, having PPA with another State for selling a part of the power produced by it. Hence, as per the Electricity Act, 2003 CERC is the Appropriate Commission for determination of tariff.

Regarding Unrealistic investment plan for FY16:

The Commission would exercise due diligence while approving the capex which is again subject to prudence check after completion of work by the ESCOMs.

Regarding Payment made under section 11, not to be passed on to Distribution Companies:

The ESCOMs are required to pay for the power purchased by them to meet the shortage of power as per the Government Order issued under section 11 of the Electricity Act 2003. The suggestion not to pass on these costs to the distribution entities is against the provisions of the Electricity Act 2003.

Regarding higher salaries in ESCOMs

One of the main reasons for increase in staff expenses is the revision of pay as per the settlement with the employees, increase in dearness allowance and the increments payable to the staff. However, the O & M expenses are being allowed by the Commission as per the norms stipulated in the MYT Regulations.

Regarding Comparative Analysis of the electricity tariff in neighboring States and the tariff in Karnataka:

The Tariff comparison with other States is not feasible as availability of generation capacity, type of power generators, fuel mix and the consumer mix are different in different States.

Regarding Tenders being issued at a price 20% more than the bid price:

GESCOM has stated that based on the market price they are procuring materials. The Commission is of the view that GESCOM should ensure that the prices paid are reasonable as compared to other ESCOMs/ other

states in the Southern region, to ensure that the materials are not purchased at a higher cost. The Commission would also keep an oversight on this aspect while carrying out prudence check of capital expenditure.

Regarding tenders being finalized at a premium.

GESCOM has furnished the reply which is acceptable.

Regarding spending heavy amounts on improving office and luxury items like furniture, computers, mobile phones, etc. resulting in wasteful expenditure:

GESCOM has furnished the justification that for providing quality service all modern equipments have to be used.

Regarding Un-scientific extension of lines resulting in losses:

GESCOM has furnished reply which is acceptable. However, the Commission directs GESCOM to keep the observations in view and to set right the short coming in the execution of works.

Regarding BJ Connections given to rich people:

GESCOM has stated that it will take action in the matter.

Regarding replacement of old transformers with new one for reducing losses:

GESCOM has furnished reply on this issue. However, Commission is of the view that the identification of old transformers and replacing them with new star rated transformers should be taken up on priority basis.

Regarding Use of solar power and solar street lighting to be encouraged:

The Commission has taken note of the suggestion. The Commission is also in the process of issue of DSM Regulations ~~p~~romote efficiency in the use of electricity.

Regarding Power supply to new unauthorized layouts:

The Commission notes that as per the provisions of Electricity Act 2003, power supply to any owner/occupant in premises is mandatory.

Regarding Implementation of Bachat Lamp Yojana :

GESCOM has furnished the details of implementation of the scheme.

Regarding Time frame for implementation of NJY schemes:

GESCOM has furnished the time frame of completion which is acceptable .

Shortage of staff affecting the quality of Service

The Commission is also of the view that filling up essential staff helps in providing timely service to the consumers. Hence, GESCOM should pursue the matter with the Government and take early action to fill the vacant posts.

Regarding Non -working of ATP Machines:

GESCOM has taken corrective measures. The Commission directs GESCOM to attend to such problems immediately so as to avoid inconvenience to the consumers.

Unscheduled Load shedding adversely affecting industry:

Though GESCOM has furnished a detailed reply, it should be its endeavor to ensure that the consumers in general and the industry in particular are not adversely affected due to un-scheduled load shedding and to improve its communication mechanism to make its services more useful to the consumers

Results of implementation of the ToD tariff:

Reply furnished has been furnished by GESCOM. However, GESCOM should make an analysis and demonstrate as to whether the introduction of ToD concept has really helped in shifting the demand and if so to what extent.

Installing timeswitches to Street Lights:

GESCOM has furnished reply.

Regarding maintaining HT: LT Ratio:

The Commission is of the view that maintaining a correct ratio in HT/LT lines significantly reduces distribution loss besides improving the quality of supply. Hence, GESCOM should take steps to improve the ratio.

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GESCOM has furnished a detailed reply in the matter. The Commission also, had issued directives on implementation of HVDS and DSM and is regularly monitoring their compliance by the licensees.

Installation of meters as per section 55 of the Electricity Act 2003 and disallowance of unmetered consumption.

The Commission notes that, except the IP sets of 10HP and below, all the other installations are metered. The Government, as a policy, has been paying subsidy to these IP set installations and meeting the costs thereon through subsidy.

Regarding curbing the theft of energy

GESCOM has furnished the reply which is acceptable.

Discontinuation of cross subsidy on Wind projects:

GESCOM has furnished the reply. The Commission has examined this issue and has decided not to interfere with the existing arrangement.

Request of KASSA:
Providing independent feeders for industry

GESCOM has furnished reply on this point which is acceptable.

Request of KASSA:
Providing independent feeders for industry

The GoK has taken a policy decision to charge industrial tariff to T/BT companies based on the certificates issued by the Industries Department.

Request of KASSA:
Providing independent feeders for industry

The present Regulations provide for extending open access facility to one MW and above. However, the Commission has taken note of the suggestion and would consider the same at appropriate time.

Regarding Industries like Foundries, Forging Shops, Steel Mills and Blow Moulding Heat Treatment Shops in Karnataka not being able to compete with the neighboring States due to high cost of power

The Commission will keep in mind these issues while determining the tariff

Incentive to high load factor industries:

The tariff approved by the Commission does provide for high voltage rebate for industries availing power at voltage higher than 11 KV.

Objections raised in Public Hearing:

GESCOM has furnished replies to the additional objections raised during the public hearing held on 9th February, 2015. Most of the issues raised by

the objectors are covered under the replies and Cc a a] g g] c b Ñ ' j] Y k g ' discussed above.

The Commission however directs GESCO to look into all the objections and address them if they are not already covered. The Commission also has taken note of the objections while deciding on the tariff revision in this order.

In the matter of assessment of power consumption by irrigation pump sets, the Commission had asked the ESCOMs to meter the consumption of IP sets on a sample basis and compare the data obtained from DTC meters catering predominantly or exclusively to IP sets. More recently the Commission had asked the ESCOMs to base their assessment by recording the power supplied to exclusively agricultural feeders which have been now separated from the composite rural feeders under the feeder segregation programme called Nirant hara Jyothi Yojana (NJY). This approach would enable reasonable assessment of consumption by IP sets.

CHAPTER 4

ANNUAL PERFORMANCE REVIEW FOR FY14

4.0 GESCOM's Application for APR for FY14

GESCOM, in its application dated 8th December, 2014, has sought approval of its Annual Performance Review (APR) for FY14 based on the Audited Accounts for the year.

The Commission in its letter dated 12th December, 2014 had communicated its preliminary observations. GESCOM, in its letter dated 19th December, 2014 has furnished its replies to the preliminary observations of the Commission.

The Commission in its Multi Year Tariff (MYT) Order dated 6th May, 2013 had approved GESCOM's Annual Revenue Requirement (ARR) for FY14 to FY16. Further, in its Tariff Order dated 12th May, 2014, the Commission had approved the APR for FY13 and had revised the ARR for FY15 along with Retail Supply Tariff for FY15.

The Annual Performance Review for FY14 based on GESCOM's Audited Accounts is discussed in this Chapter.

4.1 GESCOM's Request for Revision of ARR for FY14

GESCOM has submitted its proposal for revision of ARR for FY14 based on the Audited Accounts as follows:

TABLE 4.1
Revised ARR for FY14 | GESCOM N g ' G i V a] g g] c b
Amount in Rs.Crs.

Sl. No	Particulars	FY14
1	Energy @ Gen Bus	7566.02
2	Energy @ Interface in MU	7267.92
3	Distribution Losses in %	17.77%
	Sales in MU	
4	Sales to other than IP & BJ/KJ	2853.68
5	Sales to IP & BJ/KJ	3122.82
6	Total Sales	5976.50
	Revenue at existing tariff in Rs Crs	
7	Revenue from tariff and Misc Charges	1608.63
8	Tariff Subsidy for IP & BJ/KJ	1281.40
9	Total Existing Revenue	2890.03
	Expenditure in Rs Crs	
10	Power Purchase Cost	2141.77
11	Transmission charges of KPTCL	267.18
12	SLDC Charges	1.55
13	Power Purchase Cost including cost of transmission	2410.50
14	Employee Cost	274.92
15	Repairs & Maintenance	34.66
16	Admin & General Expenses	43.99
17	Total O&M Expenses	353.57
18	Depreciation	83.56
	Interest & Finance charges	
19	Interest on Loans	60.48
20	Interest on Working capital	74.52
21	Interest on belated payment on PP Cost	109.81
22	Interest on consumer deposits	30.29
23	Other Interest & Finance charges	0.24
24	Less interest capitalised	
25	Total Interest & Finance charges	275.34
26	Other Debits	25.32
27	Net Prior Period Debit/Credit	-218.92
28	RoE	133.56
29	Provision for taxation	
30	Funds towards Consumer Relations/ Consumer Education	
31	Other Income	43.09
32	Revised ARR	3019.84
33	Deficit for FY12 carried forward	-178.97

34	Net ARR	3198.81
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Considering the revenue of Rs2890.03Crores against a net ARR of Rs.3198.81Crores, GESCOM has reported a gap in revenue of Rs.308.78 Crores for FY14.

4.2 GESCOM's Financial Performance as per Audited Accounts for FY14:

An overview of the financial performance of GESCOM for FY14 as per their Audited Accounts is as under:

TABLE 4.2
Financial Performance of GESCOM for FY14

Amount in Rs.Crs		
Sl. No	Particulars	FY14
	Receipts	
1	Revenue from Tariff and miscellaneous charges	1608.18
2	Tariff Subsidy	1281.40
3	Total Revenue	2889.58
	Expenditure	
4	Power Purchase Cost	2141.77
5	Transmission charges of KPTCL	267.18
6	SLDC Charges	1.55
7	Power Purchase Cost including cost of transmission	2410.50
8	O&M Expenses	353.61
9	Depreciation	83.55
	Interest & Finance charges	
10	Interest on Loans	64.14
11	Interest on Working capital	0.00
12	Interest on belated payments on PP Cost	184.30
13	Interest on consumer deposits	30.47
14	Other Interest & Finance charges	0.24
15	Less interest and other expenses capitalized	0.00
16	Total Interest & Finance charges	279.15
17	Other Debits	25.77
18	Net Prior Period Debit/Credit	(221.10)
19	Other income	45.52
20	Income tax	(12.17)
	Net ARR	2852.06

As per the Audited Accounts, GESCOM has earned a profit of Rs37.52 Crores for FY14. The profits / losses reported by GESCOM in its audited accounts in the previous years are as follows:

Particulars	Amount in Rs.Crs
Accumulated losses as at the end of FY10	(216.60)
Profit earned in FY11	61.30
Loss incurred in FY12	(4.62)
Loss incurred in FY13	(188.58)
Profit earned in FY14	37.52
Accumulated losses as at the end of FY14	(310.98)

As per the Balance Sheet for FY14, after considering the profits / losses in the previous years, the total accumulated loss is Rs.310.98 Crores.

7 c a a] g g] n a l s e a n d D e c i s i o n s :

The Annual Performance Review for FY14 has been taken up duly considering the actual expenditure as per the Audited Accounts against the expenditure approved by the Commission in its Tariff Order dated 6th May, 2013. The item wise review of expenditure and the decisions of the Commission thereon are as discussed in the following paragraphs:

4.2.1 Sales for FY14:

GESCOM in its proposal for approval of ARR for FY14 had requested for approving total sales of 6561.30 MU. The Commission in its Tariff order 2013

had approved total sales to various consumer categories at 6202.26 MU. The Actual sales of GESCOM as per the current APR filing [D-2 FORMAT] is 5976.52 MU indicating a short fall in sales to the extent of 225.74 MU with respect to the approved sales.

It is noted that, as against approved sales of 3109.86 MU to categories other than BJ/KJ and IP sets/categories, the actual sales achieved by GESCOM is 2825.9 MU, resulting in the shortfall in sales to these categories by 217.27 MU. On the other hand GESCOM has sold 3083.93 MU to BJ/KJ and IP categories against an approved sales of 3092.40 MU resulting in shortfall to these categories by 8.47 MU. The actual share of sales to categories other than BJ/KJ and IP sets/categories is 48.40% as against the estimated share of 50.14% resulting in 1.74% reduction in share to these categories, while the actual share of sales to BJ/KJ and IP sets/categories has increased by the same percentage.

The Commission notes that, in the year FY14, the sales to categories other than BJ/KJ and IP sets has grown at a rate of 10%, while the sales to IP sets and BJ/KJ have shown a marginal decline in growth rate, with an overall sales growth rate of 4%.

The Commission in its preliminary observations had observed that major categories contributing to the reduction in sales are LT Domestic (92 MU), LT Commercial (24 MU), LT6 Street lights (45 MU), BT (41 MU) and HT-5 (21 MU).

GESCOM in its replies to the preliminary observations has stated that, the specific consumption in LT2, LT3, LT6 Street lights, HT3 and HT5 have not increased over previous year and have reached saturation and that the growth is on account of increase in installations only. Further during the Validation meeting proceedings, Gulbarga has informed the Commission that in FY13 about 53 MU, in FY14 about 92 MU and during FY15 to

November, about 63 MU has been wheeled under Open Access transactions

4.2.2 Sales to IP Sets:

The specific consumption of IP Sets approved by the Commission for FY14 was 9838 units/installation/annum, whereas the actual specific consumption arrived at on the basis of the consumption reported by GESCOM works out to 10,400 units/installation/annum which indicates a higher specific consumption of 562 units/installation/ annum. The quantum of sales approved by the Commission for FY14 was 3009.56 MU and the actual consumption was 2972.4 MU. However, the quantum of sales to IP Sets category is lower by 37.16 MU than the quantum of sales approved by the Commission.

The Commission had approved 3,12,794 as the number of installations which would be serviced in FY14; whereas the actual numbers of installations reported by the GESCOM was 2,9,875. The difference in number of installations is 18,919. This means that the number of installations has decreased by 18,919 as against the number of installations projected for FY14. The Commission had raised the issue of increase in specific consumption and a slight decrease in sales to IP Sets category with GESCOM in its preliminary observations and had sought clarifications. GESCOM, while replying to the preliminary observations has stated that, power supply to IP Sets was regulated as per Government Order and during the validation meeting also, the GESCOM has reiterated the same and requested the Commission to approve the sales at 2972.4 MU for FY14.

The Commission notes that considerable number of Agriculture feeders has been segregated from rural loads under NJY scheme and as per the latest progress reported GESCOM has commissioned 160 numbers of 11

kV feeders. The energy consumed by the IP Sets under these feeders can be more accurately measured at the 11 kV feeder level at the Sub-Stations after duly allowing for 11 kV and LT system losses. As the energy meter readings are available now at the 11 kV feeder level, GESCOM henceforth shall report the IP Set consumption to the Commission, on the basis of data available from the meters installed on Agriculture feeder every month. In the absence of 100 per cent metered data of IP Sets, the Commission decides to accept the sales to IP Sets for FY14 as 2972.4 MU as furnished by the GESCOM.

The Commission notes that the explanation regarding specific consumption offered by GESCOM is not supported by facts. The Commission directs GESCOM to evolve a strategy to increase sales to revenue earning categories. Approved and actual sales for FY14 is indicated below:

TABLE 4.3
APPROVED & ACTUALS SALES FOR FY14
Figures in MU

Category	Approved in Tariff Order 2013	Actuals	Difference
LT-2a*	903.86	851.20	52.66
LT-2b	7.40	7.87	-0.47
LT-3	251.88	228.17	23.71
LT-4b	9.50	2.62	6.88
LT-4c	4.84	1.32	3.52
LT-5	182.70	164.94	17.76
LT-6	132.25	158.59	-26.34
LT-6	203.78	159.26	44.52
LT-7	25.48	12.77	12.71
HT-1	81.54	73.90	7.64
HT-2a	1064.81	1055.49	9.32
HT-2b	59.74	58.91	0.83
HT-2c	0	0	0
HT-3a & b	139.01	97.82	41.19
HT-4	17.57	15.64	1.93
HT-5	25.50	4.09	21.41
Sub total	3109.86	2892.59	217.27
BJ/KJ	82.84	111.53	-28.69
IP	3009.56	2972.40	37.16
Sub total	3092.40	3083.93	8.47

Grand total	6202.26	5976.52	225.74
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**Including BJ/KJ installations consuming more than 18 units/month*

In the light of the above discussion the Commission approves the actual sales of 5976.52 MU for FY14.

4.2.3 Distribution Losses for FY14:

GESCOM has reported a loss level of 17.77% in its annual accounts.

The Commission had approved distribution loss for FY14 as shown in the table below:

Range	FY14
Upper limit	21.00%
Average	20.00%
Lower Limit	19.00%

GESCOM has reported a loss level of 17.77% in its annual accounts.

1	Energy at Interface Points in MU	7267.92
2	Total sales in MU	5976.52
3	Distribution losses as a percentage of input energy at IF points	17.77%

7 c a a] g g] n a l s e a n d d e c i s i o n :

The distribution loss of 17.77% reported by CESC is less than the lower limit of approved distribution loss by 1.23%. In accordance with the provisions of the Regulation 3.4.2 of the KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006, the savings in reduction of distribution losses is to be shared between distribution licensee and the consumers in the ratio of 70 : 30 during the first control period and in the ratio as may be decided by the Commission in the subsequent control periods.

FY14 being the first year of the third control period, the Commission decides to allow sharing of incentives due to reduction of distribution losses in the ratio of 50 : 50 between distribution licensee and the consumers for FY14. Hence, the incentives for FY14 are as detailed below:

TABLE 4.4
Incentive for Reduction of Distribution Losses FY14

Particulars	FY14
Actual input at IP points as per audited accounts in MU	7267.92
Retail sales as per audited accounts in MU	5976.50
Percentage distribution losses	17.77%
Target lower limit of distribution loss	19.00%
Decrease in percentage loss	1.23%
Input at target loss for actual sales in MU	7378.40
Decrease in input due to reduction in distribution losses in MU	110.48
Average cost of power purchase@ IP points in Rs./unit	3.16
Savings in power purchase cost due to reduction of losses	34.88
50% of savings to be included in APR 14	17.44

The Commission decides to allow an amount of Rs17.44 Crores as incentives for loss reduction for FY14 to be included in the APR for FY14 as discussed in Chapter 5 of this Order

4.2.4 Power purchase for FY14:

The Commission in its Tariff order dated 16th May, 2013 had approved source wise quantum and cost of power purchase for FY14. ESCOM, in its application for Annual Performance Review has submitted the details of actual power purchase for FY14, as follows:

TABLE - 4.5
Allowable Power Purchase for FY 14

Source	Actuals			Approved		
	Energy in MU (Million Unit)	Total Cost (Crs)	Cost per Kwh (Rs/Kwh)	Energy in MU (Million Unit)	Total Cost (Crs)	Cost per Kwh (Rs/Kwh)
KPCL Hydel Stations	2928.11	180.38	0.62	3295.13	194.64	0.59
KPCL-Thermal Stations	1810.68	728.24	4.02	2161.69	806.59	3.73
Total	4738.79	908.63	1.92	5456.82	1001.23	1.83
CGS	1529.48	465.09	3.04	1733.60	513.43	2.96
Major IPPs	272.33	117.88	4.33	324.08	134.07	4.14
IPPs-Minor (NCE Projects)	452.38	154.82	3.42	556.98	196.70	3.53
Other States Projects	7.72	0.00	0.00	0.00	0.00	0.00
Short term/Medium term	762.98	402.47	5.27	0.00	0.00	0.00
Purchase under Section 11	3.06	1.68	5.49	0.00	0.00	0.00
UI Charges	-29.98	-4.72	1.57	0.00	0.00	0.00
Transmission Charges	0.00	318.06	0.00	0.00	442.89	0.00
System Operating Charges (I)	0.00	0.00	0.00	0.00	3.92	0.00
Energy Balancing	-130.98	24.87	0.00	0.00	0.00	0.00
TOTAL	7605.77	2388.77	3.14	8071.48	2292.24	2.84

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The actual power purchase for FY14 as filed by GESCO for approval of Annual Performance Review is 7605.77 MU amounting to Rs. 2410.51 Crores, as against the approved quantum of 8071.48 MU amounting to Rs. 2292.24 Crores. This represents reduction in quantity to an extent of 465.71 MU with an increase in cost of Rs118.27 Crores.

On an analysis of the source-wise approved and actual power purchases, the following deviations in quantum of energy and its cost of purchase are found:

- As against the approved quantum of 8071.48MU the actual power purchased by GESCO is 7605.77MU for FY14 indicating a short fall of 465.71MU which is 5.77% of the approved quantum.

- ii. This shortfall in Power Purchase is mainly due to the reduction in sales to an extent of 22574 MU.
 - iii. The reduction in sales is reflected in reduced purchase of energy.
 - iv. The shortfall from Thermal stations has been made good from Short term/Medium term power purchases.
 - v. Further, GESCO has incurred PGCIL charges of Rs50.88 Crores which has resulted in an increase in rate per unit by 7 Paise.
 - vi. In addition, GESCO has indicated Rs46.61 Crores, towards short claims of energy balancing for previous years resulting in an increase in per unit cost of 6 Paise.
 - vii. All these factors including the change in the source wise mix of supply and reconciliation of energy and its cost among ESCOMs have resulted in increased average power purchase cost of GESCO at Rs.3.17 per Kwh as against the approved rate of Rs2.84 per Kwh leading to an overall increase by Rs0.33 per unit.
1. As per the statement reconciled by the ESCOMs for the energy exchange between them, Payables (-) & Receivables (+) of GESCO are as follows.

TABLE 4.6

Reconciled Statement on Inter-ESCOM Energy Balancing

Name of the ESCOM	GESCOM's				
	(-) Payable		(+) Receivable		Net Payables (-) Receivables (+) of BESCOM
	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Amount in Crs.
BESCOM			814.68	382.46	382.46
HESCOM			257.13	34.51	34.51
MESCOM	-481.25	-165.94			-165.94
CESC	-205.26	-82.59			-82.59
Total	-686.51	-248.53	1071.81	416.97	168.44

- i. It is seen from the above table that as on 31st March 2014, GESCO has to receive a net amount of Rs168.44 Crores from other ESCOMs. The Commission notes that for settlement of inter-ESCOM Power Purchase dues, no mechanism is put in place. The Commission,

therefore is of the view that the Government, while releasing the subsidy to the ESCOMs, may make adjustment in the subsidy payable duly keeping in view the inter-ESCOMs payables, to ensure that there are no inter-ESCOMs dues outstanding on this Account.

- ii. GESCOM is also directed to reconcile the inter ESCOM energy exchanges and its costs duly making necessary adjustments, to ensure proper accounting of energy and its cost.

The Commission having recognized the above facts decides to consider 7605.77 MU at a cost of Rs.88.77 Crores towards power purchase for approving the Annual Performance of GESCOM for FY14.

4.2.5 Operation and Maintenance Expenses:

GESCOM is giving the following details.

GESCOM has sought approval of O&M expenditure of Rs.353.57 Crores for FY14. GESCOM has claimed this O & M expenses on the basis of actual R&M expenses of Rs.34.66 Crores, employee cost of Rs.274.92 Crores and A&G expenses of Rs.43.99 Crores.

The Commission had allowed uncontrollable O&M expenses of Rs.57.90 Crores towards revision of pay, pension and gratuity contribution, increase in DA and increase in HRA. GESCOM in its replies

Thus, GESCOM has requested the Commission to allow O&M cost of Rs.353.57 Crores for FY14

The following analysis and decisions:

The Commission had approved O&M expenses for FY14 as detailed below :

TABLE 4.7

Approved O& M Expenses as per Tariff Order dated 06.05.2013

Amount in Rs.Crs

Particulars	FY14
No. of installations as per actuals as per Audited Accts	2535737

Weighted Inflation Index	5.49%
CGI based on 3 Year CAGR	3.60%
Normative O&M expenses for FY12 excluding P&G contribution	248.21
O&M Index= O&M (t-1)*(1+WII+CGI-X)	284.64
Additional O&M expenses (uncontrollable)	57.90
Total Approved O&M Expenses for FY14	342.54

As per the Annual Audited Accounts of GESCOM for FY14, the actual O&M expenditure is as follows:

TABLE 4.8

O&M Expenses of GESCOM as per Annual Audited Accounts for FY14

Amount in Rs.Crs.	
Repairs & Maintenance	34.66
Employee Expenses	274.92
A&G expenses	43.99
O&M expenses	353.57

Considering the Wholesale Price Index (WPI) as per the data available from the Ministry of Commerce & Industry, Government of India and Consumer Price Index (CPI) as per the data available from the Labour Bureau, Government of India and adopting the methodology followed by CERC with CPI and WPI in a ratio of 80 : 20, the allowable inflation for FY14 is computed as follows:

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2002	87.92	103	99.984				
2003	92.6	107	104.12	1.04	0.04	1	0.04
2004	98.72	111	108.544	1.09	0.08	2	0.16
2005	103.37	116	113.474	1.13	0.13	3	0.38
2006	109.59	123	120.318	1.20	0.19	4	0.74
2007	114.94	131	127.788	1.28	0.25	5	1.23
2008	124.92	142	138.584	1.39	0.33	6	1.96
2009	127.86	157	151.172	1.51	0.41	7	2.89
2010	140.08	176	168.816	1.69	0.52	8	4.19
2011	153.35	192	184.27	1.84	0.61	9	5.50
2012	164.93	209	200.186	2.00	0.69	10	6.94
2013	175.35	232	220.67	2.21	0.79	11	8.71
A= Sum of the product column							32.75
B= 6 Times of A							196.49

$C = (n-1) * n * (2n-1)$ where n= No of years of data=12	3036.00
$D=B/C$	0.06
$g(\text{Exponential factor}) = \text{Exponential}(D) - 1$	0.0669
$e = \text{Annual Escalation Rate} (\%) = g * 100$	6.69

For the purpose of determining the normative O & M expenses for FY14, the Commission has considered the following:

- The actual O & M expenses for FY13 excluding contribution to Pension and Gratuity Trust.
- The three year compounded annual growth rate (CAGR) of the number of installations considering the actual number of installations as per audited accounts up to FY14.
- The weighted inflation index (WII) at 6.69% as computed above.
- Efficiency factor at 2% as considered in the earlier two control periods.

Thus the normative O & M expenses for FY14 will be as follows:

TABLE 4.9
Allowable Normative O & M Expenses for FY14

Particulars	FY14
No. of Installations as per actuals as per Audited Accts	2497645
Weighted Inflation Index	6.69%
Consumer Growth Index (CGI) based on 3 Year CAGR	3.19%
Normative O & M expenses for FY13 excluding P&G contribution - Rs.Crs.	272.73
$O\&M \text{ Index} = O\&M (\text{₹}) * (1 + WII + CGI - X) - \text{Rs.Crs.}$	294.22

The above normative O & M expenses have been computed without considering the contribution to pension and gratuity trust.

The Commission has earlier treated certain employee costs on account of pay revision, contribution to P&G Trust and change in HRA and change in employee costs on account of recruitment as uncontrollable O&M expenses. This component has been allowed beyond the normative O&M expenses to enable ESCOMs to meet their actual employee costs.

GESCOM was asked to furnish data on additional employee costs on account of the above factors. GESCOM has sought an amount of Rs.57.90 Crores to be allowed as additional employee cost for FY14 in view of change in Dearness Allowance and contribution to pension and gratuity trust.

Considering the request of GESCOM to treat increase in pay due to revision and pension and gratuity contribution as uncontrollable O & M expenses, the Commission has computed the uncontrollable O & M expenses for FY14 as follows:

TABLE 4.10
Approved Uncontrollable O & M Expenses

Amount in Rs.Crs.

Particulars	FY14
P&G contribution as per audited accounts	53.68
Increase in HRA @ 2% on basic pay	1.12
Total Uncontrollable O&M Expenses -FY14	54.80

Some of the consumers have objected to allowing bonus as part of O&M expenses. The Commission has been allowing O&M expenses on normative basis as per Regulations which is less than the actual expenses incurred by GESCOM. Hence, disallowance of bonus paid by GESCOM separately does not arise.

Thus, the allowable O & M expenses for FY14 will be as follows:

TABLE 4.11
Allowable O & M Expenses for FY14

Amount in Rs.Crs.

Sl. No.	Particulars	FY14
1	Normative O & M expenses	294.22
2	Additional employee cost (uncontrollable O & M expenses)	54.80
3	Allowable O & M expenses for FY14	349.02

The Commission decides to allow an amount of Rs349.02Crores as O&M expenses for FY14.

4.2.6 Depreciation:

GESCOM N g ` G i V a] g g] c b .

GESCOM has claimed an amount of Rs83.56Crores as depreciation worked out after deducting an amount of Rs20.51 Crores towards depreciation withdrawn on account of contributions / subsidies as per Accounting Standards(AS) 12.

TABLE 4.12

Depreciation for FY14 \ GESCOM N g ` G i V a] g g] c b
Amount in Rs. Crs.

Particulars	FY14
Gross fixed assets at the beginning of the year	2116.49
Additions during the year	319.32
Deductions during the year	109.72
Gross fixed assets at the end of the year	2326.09
Depreciation	83.55

7 c a a] g g] a l y s i s a n d D e c i s i o n s :

The depreciation has been determined by the Commission in accordance with the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 as amended on 1 February, 2012. Considering the opening and closing gross blocks of fixed assets for FY14 and the depreciation as per annual accounts, the weighted average rate of depreciation works out to 4.70%.

As per the audited accounts for FY14, an amount of Rs20.51Crores is factored as depreciation on assets created out of grants and contribution on actual basis. The net depreciation of Rs83.55Crores is considered for computation of allowable depreciation for FY14.

Based on the above, the Commission decides to allow the actual depreciation of Rs.83.55Crores for FY14.

4.2.7 Capital Expenditure of FY14:

GESCOM has reported a capital expenditure of Rs.294.29Crores as against an approved capex of Rs.552.50 Crores for FY14. The following table indicates the details of actual expenditure incurred for FY14 as against the approved capex:

TABLE 4.13

Capital Works Approved and Actual Expenditure for FY14

Amount in Rs.Crores

Sl No	Works	Approved Capex for FY14	Actual Expenditure for FY14
1	33kV Substation, 33kV line works & Augmentation of 33kV S/S's	20	53.67
2	RGVY works	10	6.69
3	RAPDRP works	110	0.82
4	Re-conductoring works:	8	7.44
5	DTC metering works	45	12.94
6	Water supply works	5	1.26
7	Additional DTC's works:	8	0.07
8	Replacement failed 11 KV transformers	5	45.72
9	Replacement of MNR meters	5	3.50
10	Providing ETV meters	1	1.14
11	Providing HT metering Cubicles for ring fencing	0.5	0
12	Service Connection works:	12	6.16
13	SI works (33KV link line / Express feeders) & (11KV Link line / Express feeders,)	16	17.32
14	Niranthara Jyothi works	125	117.25
15	a) Major Replacements in S/S's & lines	15	0.61
16	Civil Engineering works	5	1.61
17	IT initiatives	3	
18	HVDS Works	60	
19	Providing ABC , UG Cables & RMUs	1	
20	SCADA works	1	
21	SCP & TSP works	2	1.61
22	Ganga Kalyan scheme works	25	15.32
23	T & P Articles	1	0.66
24	Replacing of Electro Magnetic meters by Static meters	1	
25	Metering of IP/St. Lights/BJ&KJ sets	1	
26	Providing Infrastructure to Regularization of Unauthorized IP sets	60	
27	R.E General works:	-	
28	Prevention of electrical accident & safety	5	
29	Electrification of Rehabilitation villages	2	0.49
	Total	552.5	294.29

7 c a a] g g] c b Ñ g ` U b U ` mg] g ` U b X ` X Y W] g] c b

As per above item wise breakup of capital expenditure, GESCOM has indicated that only Rs.294.29 Crores has been incurred in FY14, whereas, in D17 GESCOM it has indicated a capital expenditure of Rs.364.19 Crores Thus there is variation in the details furnished by GESCOM.

From the item wise expenditure shown above, it can be observed that, in 33 kVSub-station, 33kV line works & Augmentation of 33kV S/GESCOM has incurred a capex of Rs53.67Crores against the approved capex of Rs.20Crores and in System Improvement works (33 KV link line / Express feeders) & (11 KV Link line / Express feeders), GESCOM has incurred a capex of Rs.16 Crores, slightly above the approved capex. But, in Providing Infrastructure to Regularization of Unauthorized IP sets, replacing of Electro Magnetic meters by Static meters and Prevention of electrical accident & safety GESCOM has not achieved any capex during FY14.

Also, it is to be noted that the Commission in its tariff order dated 28th October , 2011 had issued directives to adopt HVDS and complete the NJY project already taken up in the previous year, but, GESCOM has not achieved any capex progress for implementation of HVDS. However, in NJY it has achieved a capex of Rs.17.24 Crores only against the approved capex of Rs.125 Crores.

The following table shows the year-wise expenditure incurred by GESCOM against the approved Capex is shown in the following Table:

TABLE 4.14
Approved Vs Actual capital investment

Particulars	Amount in Rs.Crs.			
	FY11	FY12	FY13	FY14
Capital Investment Proposed & Approved	520	572.7	466.67	552.5
Capital Investment actually incurred (Figures as per Annual Report)	145.55	179.15	293.17	364.19
Shortfall	374.63	393.35	173.5	188.31

% Achievement	27.96	31.83	62.82%	65.92%
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The above facts indicate that there is no proper planning and execution of Capex in GESCOM. The Commission notes that, the capital expenditure of GESCOM has improved during FY13 and FY14, but in some of the categories of works, GESCOM needs to focus its spending to cater to the needs of all types of works. The Commission directs GESCOM to put in place an effective planning, execution and monitoring system to improve its capex performance. The Commission after reviewing the capital expenditure of GESCOM for FY14 decides to allow the actual capital expenditure of Rs.364.19 Crores for FY14 subject to prudence check.

4.2.8 Prudence check of FY13 and FY14:

The prudence check of capex of GESCOM was taken in two parts:

- a) Prudence check of execution of the capital works of FY13 & FY14
 - b) Prudence check of material Procurement process of FY13 & FY14
- a) Prudence check of execution of the capital works of FY13 & FY14

The Commission has taken up prudence check of the capital expenditure incurred by GESCOM for the period FY13 & FY14 by engaging the services of M/s. Deloitte Touche Tohmatsu India Private Limited (M/s. Deloitte) as consultants to evaluate the capital expenditure of FY13 & FY14 in respect of completed and categorized works.

As per the report of the consultants, the following are the salient features:

TABLE 4.15
Gist of Prudence check findings for FY13 & FY14

Particulars	Numbers	Amount in Rs. Crs.
No. of works costing Rs. 10 Lakhs and above examined	88	183.20
No. of works costing less than Rs10 Lakhs examined	34	0.97
No. of works not meeting the norms of prudence as	48	139.04

stipulated in the guidelines issued by this Commission		
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Some of the other findings of the prudence check are summarized in the following Table:

TABLE 4.16
Summary of the other findings by Consultants

Particulars	Status of the Project
Number of projects completed with time delay of one year	24
Number of works completed with delay of more than a year	01
Number of works exceeding estimated cost by 10%	4

The consultant has reported that, 48 Nos of works pertaining to DTC metering in urban and rural areas of GESCOM amounting to Rs.139.04 Crores are not meeting the norms of prudence check. The Commission expenditure pertaining to FY10 to FY12 also, the consultants had pointed out the DTC metering in GESCOM as not meeting the prudence check norms and the Commission had disallowed the interest and depreciation on the capex spent on such works. The commission considered that, the disallowance is to be continued till GESCOM exhibits the prudence of such works.

Further, the Commission notes that the capex of Rs.7.72 Crores spent by KPTCL on the following projects for GESCOM for which on completion of downstream works are attributable to GESCOM:

- (a) establishing 1x8MVA, 66/11kV SubStation at Magala and Const. of 66 kV SC line from Hirehadagali S/s 7.52 Kms and
- (b) Up-gradation of existing 1x5MVA, 33/11kV S/s to 1x10MVA, 110/33 11kV and 1x10MVA, 110/11kV S/s at Turvihal along with construction of 110 kV SC line from Sindhanur S/s 17.46 kms.

Accordingly, based on the report of consultant for FY13 and FY14, and the non-prudent works of KPTCL stated above, the Commission decides to give an opportunity to GESCOM to arrange for DTC metering and

conduct energy audit of all DTCs and prove that the DTC metering works and construct downstream lines of KPTCL substation within three months from the date of this order and justify them as meeting prudence norms. While justifying the prudence of works, GESCO shall furnish all necessary data and records to the Commission for verification. The Commission would decide on any disallowance based on such justification furnished in the APR for FY15.

4.2.9 Prudence Check of Capital Investment for the period FY10 to FY12:

The Commission had conducted prudence check of capital expenditure incurred by GESCO for FY10 to FY12 while approving the Annual performance for FY13 and ARR for FY15. Based on the report of the consultant who conducted the prudence check, the Commission had disallowed interest and depreciation of Rs.2.34 Crores pertaining to 9 Nos. of works, which were considered as not meeting prudence norms. Further, considering the fact that the prudence check of capital investment being taken up by the Commission is first of its kind, the Commission has provided one more opportunity to GESCO to justify the investment made on such works as meeting prudence norms by furnishing sufficient justification duly supported by documents.

The projects which are disallowed in GESCO pertained to DTC metering and energy audit, wherein GESCO had not demonstrated that the investment thereon has been put to proper use and that the intended benefits have been achieved.

GESCO in its reply to the opportunity provided by the Commission to justify the prudence of investment made, has stated that, it will conduct DTC metering and use it for energy audit in future and requested the Commission to reconsider the decision to disallow an amount of Rs.2.34 Crores and allow it to be passed on to the consumers.

The Commission after reviewing the reply furnished by GESCO, notes that, even after giving ample opportunities over a period of more than one year, GESCO has failed to initiate any action to put the asset created to proper use by conducting energy audit and hence, decides to confirm the disallowance until GESCO carries out the DTC metering and conducts energy audit and exhibits proper justification with facts and figures of the asset being used.

As such, the disallowable weighted average of interest and depreciation in APR of FY14 works out to Rs.42 Crores and the same would be disallowed.

b) Prudence check of material Procurement process of FY13 & FY14

The Capital investment works in GESCO are executed by both on turnkey as well as partial turnkey contract. GESCO procures major materials like, distribution transformers, poles, conductor and insulators etc. and issues them to the partial turnkey contractor, who will execute the work as per award and includes some of the associated materials viz., cross arm, bolt & nuts, earthing materials etc. required for completion of works. The cost of major material procurement was Rs1.29 Crores and Rs73.43 Crores against the total Capex of Rs93.17 and Rs364.19 Crores for the Years FY13 and FY14 respectively.

The details of major materials procured and stock inventory and percentage of quantity procured for the Years FY13 and FY-14 are furnished in the following Table:

It was observed that the stock inventory of Poles for the FY14, Transformers for the year FY13& 14 are within the reasonable limits. But stock inventory of ACSR conductors are 36.23% of procured quantity for the years FY 14

The Major materials are procured by the procurement wing at corporate office.

GESCOM complies with the provisions of KTTAct for material procurement. The quantity of materials procured based on the requisitions received from respective divisions of GESCOM.

It was observed during the prudence check of procurement process that, the rate contract price for most of the materials procured are much lower than the Schedule of Rates (S.R.) of GESCOM for the respective years. S.R for various materials shall be prepared based on the average procurement price of preceding year and also considering the benchmark prices and shall be compared with neighbouring States. GESCOM shall take all measures to judiciously prepare the Schedule Rates every year.

4.2.10 Interest and Finance Charges

a) Interest on loan:

GESCOM Ñ g ` G i V a] g g] c b .

GESCOM has claimed an amount of Rs60.48Crores towards interest on loans. The details of interest on loans claimed by GESCOM are as follows

TABLE 4.17
Interest on Loans GESCOM Ñ g ` G i V a] g g] c b

Amount in Rs.Crs.	
Particulars	
Long term Loan outstanding as on 31.03.201	454.80
Fresh Borrowings	193.65
Repayment	66.35
Long term Loan outstanding as on 31.03.201	582.10
Interest on Loans	60.48

Considering the opening balance of loans, fresh borrowings and the repayment of loans during FY14, the weighted average rate of interest on the average loan amount works out to 11.67%.

7 c a a] g g] n a l y s i s a n d d e c i s i o n s :

The Commission has noted the status of opening and closing balances of loans as per the audited accounts and format D9 of the filings as shown below:

TABLE 4.18
Allowable Interest on Loans FY14

Amount in Rs.Crs.

Particulars	FY14
Opening Balance Secured Loans	442.35
Opening Balance Unsecured Loans	12.48
Total opening balance of loans	454.83
Less Short term loans/ Over draft	0.00
Less Interest accrued & dues	0.00
Long term secured & unsecured loans	454.83
Add new Loans	193.65
Less Repayments	66.35
Total loan at the end of the year	582.13
Average Loan	518.48
Interest on longterm loans as per audited accounts for FY14	64.14

Considering the average loan of Rs.518.48Crores and an amount of Rs.64.14Crores incurred towards interest on long term loans, the weighted average of interest works out to 12.37%.

The Commission decides to allow an amount of Rs.64.14Crores towards interest on loan for FY14.

4.2.11 Interest on Working Capital:

GESCOM is claiming interest on working capital.

GESCOM has claimed an amount of Rs.74.52Crores towards interest on working capital. However as per audited accounts GESCOM has not incurred any interest on working capital.

The Commission's decisions:

As per the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 as amended on 1st February, 2012, the Commission has computed the allowable interest on working capital for FY14 as follows:

TABLE 4.19

Allowable Interest on Working Capital for FY14

Particulars	Amount in Rs. Crs.	
	FY 14	
One -twelfth of the amount of O&M Expenses	29.09	
Opening GFA	2116.50	
Stores, materials and supplies 1% of Opening balance of GFA	21.17	
One -sixth of the Revenue	465.76	
Total Working Capital	516.01	
Rate of Interest (% p.a.)	11.75%	
Normative Interest on Working Capital	60.63	
Actual interest on WC as per audited accounts for FY14	0.00	
Allowable Interest on Working Capital	30.32	

The Commission decides to allow an amount of Rs. 30.32 Crores towards interest on working capital for FY14

4.2.12 Interest on Consumer Deposits:

GESCOM's Submission:

GESCOM has claimed an amount of Rs.30.29 Crores towards payment of interest on security deposits for FY14

7 c a a] g g] analysis and decisions :

The Commission notes that, as per the audited accounts, the interest on consumer deposits amounting to Rs.30.47 Crores works out to a weighted average rate of interest of 8.44%. As per KERC (Interest on Security Deposit) Regulations, 2005 the interest on consumer deposits shall be allowed as per the bank rate prevailing on the 1st of April of the relevant year. The bank rate as on 1st April, 2013 was 8.50%. Considering the actual payment of interest on consumer deposits by GESCOM, the Commission decides to allow an amount of Rs. 30.47 Crores towards interest on consumer deposits for FY14.

4.2.13 Interest on belated payment of power purchase cost:

GESCOM has claimed an amount of Rs.109.81 Crores towards interest on belated payment of power purchase cost. However as per audited accounts the interest on belated payment of power purchase cost is Rs184.30 Crores. Since interest on working capital is being allowed separately as per the norms under the MYT Regulations, the claim on interest on belated payment of power purchase cost is not admissible .

4.2.14 Other Interest and Finance charges:

GESCOM has claimed an amount of Rs. 0.24Crores towards other interest and finance charges for FY14, which includes charges payable to banks / financial institutions and guarantee commission payable to GoK . The Commission notes that the claims are as per audited accounts and hence decides to allow the same for FY14.

Thus the allowable interest and finance charges for FY14 are as follows:

TABLE 4.20
Allowable Interest and Finance Charges

Amount in Rs.Crs.		
Sl. No.	Particulars	FY14
1.	Interest on Loan capital	64.14
2.	Interest on working capital	30.32
3.	Interest on consumer deposits	30.47
4.	Other interest and finance charges	0.24
5.	Total interest and finance charges	125.17

4.2.15 Other Debits:

GESCOM has claimed an amount of Rs.25.32 Crores towards other debits.

GESCOM, in its application has claimed an amount of Rs.25.32 Crores towards other debits. The following is the details of other debits as per audited accounts for FY14:

TABLE 4.21
Other Debits-GESCOM
Amount in Rs. Crs.

SI No	Particulars	FY14
1	Bad debts written off/ provision	14.66
2	Miscellaneous losses and write offs	7.62
3	Others	3.04
	Total	25.32

7 c a a] g g] n a l y s i s a n d d e c i s i o n s :

The Commission notes that as per the audited accounts an amount of Rs.26.77 Crores is indicated as other debits. An amount of Rs.15.67 Crores towards provision for bad and doubtful debts has not been considered as the same is yet to be written off. Thus, the allowable other debits for FY14 is as detailed below:

TABLE 4.22
Allowable Other Debits

Amount in Rs. Crs.		
SI No	Particulars	FY14
1	Provisions for write off of fixed assets	7.62
2	Assets decommissioning cost	0.03
3	Provision for Bad debts	0.00
4	Miscellaneous losses and write offs	2.45
	Total	10.10

The Commission decides to consider an amount of Rs. 10.10 Crores as other debits for FY14.

4.2.16 Net Prior Period Charges:

G E S C O M ' s G i V a] g g] c b .

GESCOM has claimed an amount of Rs.218.92 Crores towards Net Prior Period Credits included under other income in the audited accounts.

7 c a a] g g] n a l y s i s a n d d e c i s i o n s :

As per the Audited Accounts for FY14, the prior period debit is Rs.4.10 Crores on account of employee costs, A&G expenses and under provided depreciation of earlier years. Further the prior period credit is

Rs.225.20Crores on account of excess depreciation and other expenses provided. This amount includes subsidy of prior period amounting to Rs.83.03 Crores which pertains to revenue already factored in the earlier APR and hence has not been considered in the present computation of net prior period charges.

Hence the Commission decides to allow a net prior period credit of Rs.138.07Crores for FY14.

4.2.17 Return on Equity:

GESCOM has claimed Return on Equity of Rs.133.56 Crores for FY14.

GESCOM has claimed Return on Equity of Rs.133.56 Crores for FY14.

As per the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 as amended on 1st February, 2012 and in accordance with the Commission's Order No. 46 of 2014 dated 17th September, 2014, the Commission has computed the allowable Return on Equity at 15.5% on average of opening and closing balance of equity plus reserves and surplus besides allowing taxes as per actuals. The allowable RoE for FY14 is determined as follows:

As per the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 as amended on 1st February, 2012 and in accordance with the Commission's Order No. 46 of 2014 dated 17th September, 2014, the Commission has computed the allowable Return on Equity at 15.5% on average of opening and closing balance of equity plus reserves and surplus besides allowing taxes as per actuals. The allowable RoE for FY14 is determined as follows:

TABLE 4.23

Allowable Return on Equity

Particulars	Amount in Rs. Crs.
	Amount in Rs. Crs
Paid up share capital	305.14
Share deposit	254.06
Less Recapitalised consumer security deposit as networth	22.00
Reserves and surplus as on 31.03.2013	(348.50)
Total Equity	188.70

Return on Equity @ 15.50%	29.25
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The Commission decides to allow Return on Equity of Rs.29.25 Crores for FY14.

Revision of RoE for FY12 & FY13:

In accordance with the order of the Commission dated 15 September 2014 in Appeal No.46/2014, an amount of Rs.6.82 Crores towards excess RoE allowed on recapitalized consumer security deposit of Rs. 22.00 Crores as net worth in APR of FY12 & FY13 is deducted in the APR for FY14.

4.2.18 Income tax:

As per the audited accounts, GESCOM has indicated an amount of Rs.12.17 Crores as MAT credit entitlement during FY14. The Commission decides to consider the credit of income tax of Rs.12.17 Crores for computation of APR for FY14.

4.2.19 Other Income:

GESCOM has claimed an amount of Rs.43.09 Crores as Other income for FY14. This amount includes income from interest on fixed deposits, sale of scrap, excess provision of power purchase etc. withdrawn / written back, material cost variation and rent from staff quarters.

TABLE 4.24
Other Income of GESCOM
Amount in Rs. Crs.

Particulars	FY14
Interest on Bank fixed deposits and other interest	14.43

Other non-operating income	
Profit on sale of scarp	0.80
Rent	1.92
Rebate for collection of electricity duty	0.36
Incentive received	18.90
Miscellaneous	6.68
Total other income	43.09

7 c a a] g g] n a l y s i s a n d d e c i s i o n s :

As per the audited accounts the other income for FY14 is Rs.45.53 Crores. As decided in the Tariff Order dated 12th May, 2013, the Commission continues to allow 10% of the total incentive amount of Rs.18.90 Crores earned on account of prompt payment of power purchase to be retained by GESCO for FY14. Thus after deducting the incentive of Rs.1.89 Crores, the Commission decides to allow an amount of Rs.43.64 Crores as other income for FY14.

5 X ^ i g h a Y b h ' c Z ' 5 X j U b W Y ' 5 [U] b g h ' 8 Y d f Y W] U h] c b ' f l
Order in Case No. B/06/9 dated 17th October 2013:

The Commission in its Order dated 17.10.2013 in case No. B/06/9 had decided to adjust the advance against depreciation provided during FY11 in the APR for FY14. As per this Order, an amount of Rs.34.00 Crores is deducted in the APR for FY14.

Fund towards Consumer Relations / Consumer Education:

The Commission had allowed an amount of Rs.0.50 Crore towards funds for consumer relations / consumer education. GESCO has not claimed any expenditure under this item for FY14. Hence the Commission has not considered any amount on this account separately.

4.3 Abstract of Approved ARR for FY14:

As per the above item -wise decisions of the Commission, the consolidated Statement of ARR for FY14 is as follows:

TABLE 4.25

Approved ARR for FY14 as per APR

Amount in Rs. Crs.

Sl. No	Particulars	FY14		
		As Appd 06.05.2013	As filed 08.12.2014	As per APR
	Revenue at existing tariff in Rs Crs			
1	Revenue from tariff and Misc Charges	1810.84	1608.63	1662.22
2	Tariff Subsidy for IP & BJ/KJ	1170.89	1281.40	1132.32
3	Total Existing Revenue	2981.73	2890.03	2794.54
	Expenditure in Rs Crs			
4	Power Purchase Cost	2026.46	2141.77	2120.04
5	Transmission charges of KPTCL	262.85	267.18	267.18
6	SLDC Charges	2.33	1.55	1.55
7	Power Purchase Cost including cost of transmission	2291.64	2410.50	2388.77
8	Employee Cost		274.92	
9	Repairs & Maintenance		34.66	
10	Admin & General Expenses		43.99	
11	Total O&M Expenses	342.54	353.57	349.02
12	Depreciation	103.25	83.56	83.55
	Interest & Finance charges			
13	Interest on Loans	84.90	60.48	64.14
14	Interest on Working capital	64.13	74.52	30.32
15	Interest on belated payment on PP Cost		109.81	0.00
16	Interest on consumer deposits	27.31	30.29	30.47
17	Other Interest & Finance charges		0.24	0.24
18	Less interest capitalised	30.00		0.00
19	Total Interest & Finance charges	146.34	275.34	125.17
20	Other Debits		25.32	10.10
21	Net Prior Period Debit/Credit		-218.92	-138.07
22	RoE	83.41	133.56	29.25
23	Provision for taxation			-12.17

24	Funds towards Consumer Relations/Consumer Education	0.50		0.00
25	Other Income	35.94	43.09	43.64
26	ARR	2931.74	3019.84	2791.98
27	Deficit		-129.81	2.55
28	Deficit for FY12 carried forward	-49.99	-178.97	
29	Adjustment of AAD as per Order dated 17.10.2013			34.00
30	Less Excess RoE allowed in FY12 & FY13 - ATE 46/2014			6.82
31	Net ARR	2981.73	3198.81	2751.16

4.3.1 Gap in Revenue for FY14:

As against an approved ARR of Rs2981.73Crores, the Commission after the Annual Performance Review of GESCOm decides to allow an ARR of Rs2751.16Crores for FY14. Considering the revenue of Rs2794.54Crores there is a surplus of Rs43.37Crores for the year FY14.

The Commission decides to carry forward the surplus of Rs43.37Crores of FY14 to the proposed ARR for FY15 as discussed in the subsequent Chapter of this Order.

CHAPTER 5

REVISED ANNUAL REVENUE REQUIREMENT FOR FY16

5.0 Revised ARR for FY16 - GESCOM

In its application dated 8th December, 2014, GESCOM has sought approval of its revised ARR for FY16. The summary of the proposed revised ARR for FY16 is as follows:

TABLE 5.1
Proposed revised ARR for FY16

Amount in Rs.Crs.

Sl. No	Particulars	FY16
	Revenue at existing tariff in Rs.Crs	
1	Revenue from tariff and Misc Charges	1846.44
2	Tariff Subsidy	1422.81
3	Total Existing Revenue	3269.25
	Expenditure in Rs.Crs	
4	Power Purchase Cost	2183.47
5	Transmission charges of KPTCL	323.35
6	SLDC Charges	2.61
7	Power Purchase Cost including cost of transmission	2509.43
8	Employee Cost	329.00
9	Repairs & Maintenance	42.75
10	Admin & General Expenses	53.54
11	Total O&M Expenses	425.29
12	Depreciation	114.61
	Interest & Finance charges	
13	Interest on Loans	133.23
14	Interest on Working capital	89.42
15	Interest on belated payment on PP Cost	98.00
16	Interest on consumer deposits	36.24
17	Other Interest & Finance charges	
18	Less interest capitalised	8.00
19	Total Interest & Finance charges	348.89
20	Other Debits	26.51
21	Net Prior Period Debit/Credit	10.30
22	RoE	211.07
23	Provision for taxation	0.00

24	Funds towards Consumer Relations/Consumer Education	0.00
25	Other Income	26.47
26	ARR	3619.63
28	Regulatory Asset of FY13	-172.97
29	Net ARR 16	3792.60
30	Gap in Revenue	523.35

GESCOM has requested the Commission to approve the revised Annual Revenue Requirement of Rs.3792.60 Crores for FY16. Further, GESCOM has proposed to approve increase in the retail supply tariff by 80 paise per unit across all categories of consumers including BJ/KJ and IP set consumers for FY16 in order to bridge the gap in revenue of Rs.523.35 Crores.

5.1 Annual Performance Review for FY14 & FY15:

As discussed in the preceding chapter of this order, the Commission has carried out the Annual Performance Review for FY14 based on the audited accounts furnished by GESCOM. Accordingly, the surplus of Rs.43.37 Crores is to be carried forward in to the ARR of FY15. As the present financial year 201415 is not yet complete, the Commission decides to take up the APR of FY15 during revision of ARR / Tariff for FY17.

5.2 Annual Revenue Requirement for FY16:

5.2.1 Capital Investments for FY16:

The Commission in its tariff Order dated 16 May, 2013 had approved a capex of Rs.376 Crores for FY16. In its filing, GESCOM has projected a revised capex of Rs.545.81 Crores by including the following schemes, which were not included in the MYT filing in the capex requirement for FY16:

- i. Niranthara Jyothi Yojana , Rs.130 Crores
- ii. RAPDRP works & Non-RAPDRP works Rs.62 Crores

- iii. LT line Conversion, Fixing of SMC box to DTC and Replacement of broken poles, Rs.10.6 Crores

The details of capex of Rs.545.81Crores under various heads proposed for FY16 are shown in the table below:

TABLE 5.2
Proposed capital investment for FY16

Sl. No.	Works	Amount in Rs. Crores	
		Approved for FY16	Proposed for FY16
1	33kV Sub-station, 33kV line works & Augmentation of 33kV S/S's	25	48
2	RGGVY works	75	60
3	RAPDRP works	0	57
	Non-RAPDRP works	0	5
4	Reconductoring works:	18	20.25
5	DTC metering works	2	0
7	Water supply works	5	1
8	Additional DTC's works:	9	10.3
9	Replacement failed 11 kV transformers & 33 kV Power Transformers	5	62
11	Replacement of MNR meters	5	5
12	Providing ETV meters	1	1
13	Providing HT metering Cubicles for ring fencing	0.5	0.5
14	Service Connection works:	17	15
15	SI works (33KV link line / Express feeders) & (11KV Lin line / Express feeders,)	22	25
16	Niranthara Jyothi works	0	130
17	a) Major Replacements in S/S's & lines ,R&M to 33	10.5	7
18	Civil Engineering works	8	6
19	IT initiatives	5	1
20	HVDS Works	75	10
21	Providing ABC , UG Cables & RMUs	1	3
22	SCADA works	1	0.6
23	SCP & TSP works	3.5	21

24	Ganga Kalyan scheme works	25	9
25	T & P Articles	0.5	2
26	Replacing of Electro Magnetic meters by Static meters	1	1
27	Metering of IP/St. Lights/BJ&KJ sets	1	1
28	Providing Infrastructure to Regularization of Unauthorized IP sets	30	20
29	R.E General works:	20	0.5
30	Prevention of electrical accident & safety	5	4
31	Electrification of Rehabilitation villages	5	2
32	LT line Conversion, Fixing of SMC box to DTC and Replacement of broken poles	0	10.6
33	Energisation of IP sets General , Electrification of HB/JC	0	5
34	Providing Timer Switches to St Lights	0	1
35	Shifting of meters to outside Premises	0	1
36	Taluka wise segregation	0	0.06
Total		376	545.81

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From the above table, it is observed that, GESCOM has added capex requirement of Rs.202.60 Crores which were not included in the MYT filing. Whereas, it has reduced its capex requirement in respect of some of the categories like, RGGVY works, DTC metering, water supply and providing infrastructure to regularization of unauthorized IP sets and RE General works to an extent of Rs.79 Crores.

Further, it is observed that, the capital expenditure incurred by GESCOM for the past four years has not exceeded 66% of the approved capex in any of the years and it is unlikely that, GESCOM would be achieving the proposed capital expenditure for FY16, unless it has put in place a concrete planning and execution process .

As per the data furnished by GESCOM, the actual capex as at the end of December, 2014 against approved capex for FY15 is as follows:

TABLE 5.3

Actual Capital Expenditure of GESCOM for FY15(till December, 2014)

Amount in Rs.lakhs

Sl.No	Particulars	Approved for FY15	Actuals up to Dec' 2014
I	Mandatory works, Social obligations and other works		
A	GKSC -SC (SCP)	960.00	154.85
B	GKS-ST(TSP)	560.00	92.97
C	GKS-BC	240.00	90.38
D	GKS-Min	240.00	45.00
	GKS Tot	2000.00	383.20
i	RGVY	2000.00	2.00
j	Rehabilitation of Flood affected Villages (Special Programme)	500.00	4.37
k	Water Works	500.00	124.46
	Sub -Total	7000.00	897.23
II	Expansion of Distribution Network and System Improvement works.		
a	E&I Works		
	Additional DTcs		
	25 KVA	300.00	225.00
	63 KVA	175.00	218.75
	100 KVA	125.00	187.50
	Sub -Total	600.00	631.25
ii	Enhancement of DTCs		1262.00
	25 KVA to 63 KVA	200.00	150.46
	63 KVA to 100 KVA	100.00	182.56
	Sub -Total	300.00	333.02
iii	Shifting of existing transformers to load center	30.00	49.87
iv	LT Line Conversion of 1 Ph 2 wire or 1 Ph 3 wire to 3 Ph 5 Wire.	40.00	4.85
v	Providing SMC Box to DTCs.	30.00	0.96
vi	Replacement of Broken Poles	200.00	218.78
b	Energisation of IP Sets under General Category	300.00	239.66
c	Service Connection works other than IP/BJ/KJ/water Works.	1500.00	346.44
d	Construction of new 33 KV Stations	1500.00	400.44
e	Augmentation of 33KV Stations	500.00	94.05
f	Construction of new 3KV Lines/Link Lines	200.00	124.46
g	Construction of new 11 KV Lines for 33KV/110KV Substations (Including SDP)	2000.00	2490.74

h	Niranthara jYoti Yojana	8000.00	1682.28
i	RAPDRP Part-A	1000.00	260.20
j	RAPDRP-Part-B	4000.00	530.15
k	Creating Infrastructure tu UAIP Sets regularized during 2010-12.	4000.00	523.41
	Sub -Total	24200.00	10156.83
III	Redution of T&D and AT&C losses.		
a	Providing meters to IP Sets above 10HP	30.00	20.85
b	Providing Meters to BJ/KJ	40.00	84.22
c	Providing Meters to Street Lights.	30.00	24.84
d	Providing Timer Switches to Street Lights.	100.00	0.23
e	Replacement of Faulty / MNR energy meters by static meters.	500.00	346.44
f	Shifting of meters to outside premisses	100.00	35.89
g	DTC Metering of RAPDRP	0.00	0.00
h	DTC Metering of Non RAPDRP	1000.00	145.68
i	Replacement of 33kv Line Rabbit Conductor by Coyote Conductor	100.00	14.04
j	11kv Re-Conductoring	500.00	150.00
k	LT-Re-Conductoring	300.00	261.52
l	HVDs	10000.00	0.00
m	Taluka wise segregation of 11kv feeders	100.00	0.00
	Sub -Total	12800.00	1083.71
IV	New Initiative Works		
a	IT Initiatives, Automation and Call Centers	500.00	288.00
b	Establishing AKDC & SCADA	50.00	29.82
c	R&M to SCADA	50.00	12.50
	Sub -Total	600.00	330.32
V	Replacement and other miscellaneous Works		
a	Replacenet of failed Distributino Transformers	5000.00	5754.44
b	Replacement of Power Transformers	200.00	
c	Replacement of Old and failed equipments and other works of existing 33kv Stations & Lines.	1000.00	
d	R&M to 33kv Stations	100.00	
e	R&M to 33kv Lines	100.00	
f	R&M to DTCs	100.00	
g	R&M to Lines	200.00	

h	preventive measures to reduce the accidents (Providing intermediate poles, Re-stringing of sagging lines, providing ghuy and stud, guarding, shifting of lines, fencing of DTCs)	500.00	1098.72
i	T&P Materials		
	i) Furniture	100.00	
	ii) Safety Materials	100.00	7.93
i	Civil Engineering works	100.00	240.40
	Sub -Total	7500.00	7101.49
VI	Other works as approved in Tariff Order 2013, for the Capex		
a	Providing ETV Meters	100.00	
b	Providing HT Metering Cubicle	50.00	
c	Providing ABC UG Cables & Lines	100.00	
d	SCP & TSP Work		
	i) Energization of IP Sets	100.00	40.10
	ii) Electrification of HB's/JC's	50.00	0.96
	iii) Kutira Jyothi	50.00	1.97
e	RE General Works		
	i) Kutira Jyothi	50.00	25.78
f	Replacement of Electromagnetic meters by Static meters	100.00	141.59
	Sub -Total	600.00	210.40
	Grand Total (I+II+III+IV+V+VI)	55000.00	20496.20

The Commission directs GESCOM to seek separate approval for any item wise additional capex requirement beyond 25% of approved quantum or Rs.10 Crores whichever is higher. Further, the additional capex requirement should be sought from the Commission with due justification indicating the sources of funding and the benefits that would accrue by such additional investments.

Further, the Commission has observed that in some of the ESCOMs, major works like DTC metering and replacement of existing consumer meters by static meters are being taken up in large scale and spread across the entire area of the ESCOM. Such approach would not help in identifying the benefits accrued out of such large scale investments. Hence, the

Commission directs the ESCOMs to take up works like DTC metering and consumer metering Division wise so that the benefits accrued are easily measurable and analysed for improvements in each Division. This approach would ensure the ESCOM to complete the task in a phased manner covering the entire area of operation over a period of time.

Also, the GESCO is directed to indicate the manner of usage / disposal of the released meters.

In the above context, the Commission decides to consider Rs.376 Crores towards capex for FY16 subject to prudence check. If GESCO requires additional capex as indicated in its revised capex program during FY16, approval for the same shall be sought separately as detailed above. The Commission would look into the merits of such investments and decide on its allowance.

5.2.2 Sales Forecast for FY16:

GESCO in its filing has proposed sales at 6542.05 MU and the number of installations as 2784657. The Commission, in its preliminary observations, regarding the number of installations had noted that the growth rate proposed by GESCO for LT-4(b), LT Water supply and HT-4 categories are higher while for categories of LT-2(a), LT-3, LT5, HT1 and HT-2(b) are lower compared to the normal growth rates. Further, regarding the quantum of sales, the Commission had noted that the growth rates considered are lower for LT-2(b), LT6 Water supply, HT-2(a) and HT-3(a) and (b) and the growth rates considered for LT-2(a), LT3, LT4(b) and (c), HT-1 and HT-4 are higher compared to the normal growth rates.

GESCO, regarding the number of installations, in its replies has stated that:

- a. Higher growth rate for LT-2(a) is considered keeping in view the housing projects that are coming up in GESCO area.

- b. In case of HT2 (a), due to captive generation and only few industries coming up in the area moderate growth rate is assumed
- c. In case of HT4 higher growth is considered due to apartments coming up in the area of GESCOM.

GESCOM, regarding the sales, in its replies has stated that:

- a. LT2 (b) and LT6 have reached saturation and significant growth is not anticipated
- b. In case of HT2 (a), several consumers are opting for captive route.
- c. LT2 (a) estimates are made based on actual growth
- d. Higher growth rate for HT4 is considered due to the concept of apartments picking up.

The Commission notes that as per the replies furnished to the validation meeting, the sales under Open Access and Wheeling during FY13, FY14 and FY15 (as on November-14) are about 53 MU, 92 MU and 63 MU respectively. Thus, the Open Access sales is about 1% of the total sales in FY13 and about 1.5% of the total sales in FY15 and is meager compared to the total sales made by GESCOM. Further, in case of HT4, the detail of apartments coming up due to which sales is increasing is not furnished. Regarding the number of LT2 (a) installations, the Commission has observed that even though the growth rate considered is lower, GESCOM has replied that it has considered a higher growth rate.

The approach of the Commission in estimating the number of installations as well as sales to various categories is discussed in the following paragraphs:

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The methodology adopted by the Commission to estimate the number of installations and Sales to categories other than BJ/KJ and IP sets is discussed below:

i) No. of Installations for FY16:

While estimating the number of installations (excluding BJ/KJ and IP sets consumers), the following approach is adopted:

- a. The base year number of installations for FY15 is considered as proposed by GESCOM.
- b. Wherever the number of installations estimated by GESCOM for FY16 is within the range of the estimates based on the CAGR for the period FY09- FY14 and for the period FY11 - FY14, the estimates of GESCOM are retained.
- c. Wherever the number of installations estimated by GESCOM for FY16 is lower than the estimates based on the CAGR s for the period FY09- FY14 and for the period FY11- FY14, the estimate based on the lower of the CAGR s are considered.
- d. Wherever the number of installations estimated by GESCOM for FY16 is higher than the estimates based on the CAGRs for the period FY09- FY14 and for the period FY11- FY14, the estimate based on the higher of the CAGR s are considered.
- e. For LT4(b) and (c), LF7 and HT-5 categories, the estimates of GESCOM are retained as the growth rate for this category varies from year to year.
- f. For HT2C category, the estimates of GESCOM are retained as there is no trend available for this category.

Based on the above approach, the total number of installations (excluding BJ/KJ and IP sets installations) estimated by the

Commission works out to 1891063 as against GESCOM's 1814055

ii) Energy Sales:

For categories other than BJ/KJ and IP sets, generally the sales are being estimated considering the following approach:

- a. The base year energy sales for FY15 as estimated by GESCOM are validated duly considering the actual sales upto November, 2014 and the sales to the categories other than LT2(b), LT4(b) and (c), LT7, LT6 Street Lights, HT2(c), HT3 and HT5 categories are suitably modified.
- b. Wherever the energy sales estimated by GESCOM for FY16 is within the range of the estimates based on the CAGR for the period FY09 - FY14 and for the period FY11- FY14, the estimates of GESCOM are retained.
- c. Wherever the energy sales estimated by GESCOM for FY16 is lower than the estimates based on the CAGRs for the period FY09 - FY14 and for the period FY11 - FY14, the estimate based on the lower of the CAGRs are considered.
- d. Wherever energy sales estimated by GESCOM for FY16 is higher than the estimates based on the CAGRs for the period FY09 - FY14 and for the period FY11 - FY14, the estimate based on the higher of the CAGRs are considered.

However, the Commission has adopted the following approach to the categories mentioned below:

- a. LT4 (b) and (c), LT-7 and HT-5 categories, the estimates of GESCOM are retained as the growth rate for this category is inconsistent.

b. For HT2(c) category, the estimates of GESCO are retained as there is no trend available for this category

Based on the above approach the energy sales to categories other than BJ/KJ and IP sets works out to 3172.40 MU against GESCO's estimate of 3267.83 MU.

a) Sales to BJ/KJ and IP set consumers:

i) Sales to BJ/KJ installations

The break-up of sales to BJ/KJ installations as furnished by GESCO for FY14 is as indicated below:

Particulars	No. of Installations	Consumption in MU	Specific consumption per installation per month (kWh)
Installations consuming less than 18 units	523259	111.53	17.76
Installations consuming more than 18 units and billed under LT2(a)	44354	38.89	73.07

Considering the total number of installations of 631721 as proposed by GESCO and applying the ratio of number of installations consuming less than 18 units as per FY14 data furnished by GESCO, the ~~sales~~ in FY16 would be 124.13 MU for installations consuming less than 18 units with a specific consumption per installation per month at 17.76 units.

Further, the consumption pertaining to the remaining BJ/KJ installations consuming more than 18 units in FY16 works out to 43.28 MU [i.e. specific consumption of 73.07 units per installation per month] which is indicated separately.

ii) Sales to IP Sets

The Commission had fixed the specific consumption as 9,838 units/ installation / annum for the control period of FY14 to FY16 by considering the existence of unauthorized IP Sets in the distribution system. As per the actual data of Sales to IP Sets during FY14, GESCOM has reported Sales of 2,972.4 MU and 2,93,875 numbers of IP set installations serviced, which translates into a specific consumption of 10,401 units/ installation/annum. This means the specific consumption of IP Sets has increased by 563 units/installation/annum in FY14 as against the figures approved by the Commission which can perhaps be attributed to extra hours of power supply to IP Sets and clear segregation of IP sets under NJY is not Wc a d` Y h Y X`] b` ; 9 G 7 C A " ` < c k Y j Y f ž` etion of; 9 G 7 C A Ñ g specific consumption for FY16 is 9,503 units/installation/annum as against the specific consumption of 9,838 units / installation / annum approved by h \ Y` 7 c a a] g g] c b " ` ; 9 G 7 C A ž`] b`] h g` f Y d` m` h c` h \ Y` this specific issue, has contended that the specific consumption worked out by them for FY16 would be lesser than the approved figure due to increase in number of unauthorized IP Sets and apportioning of consumption of such installations. Further, the Commission has also not considered the specific consumption reported by the GESCOM during FY14, which is rather high given the approved specific consumption as 9,838 units/installation/annum, for projection of IP Set Sales in FY16. In view c Z` h \ Y` U V c j Y` U b X` Wc b g] X Y f w h b p r o j e c t i o n, Y the 9 G 7 C A Ñ g Commission decides to retain the specific consumption as 9,503 units / installation / annum for FY16 instead of 9,838 units / installation / annum as already approved for the control period of FY14 to FY16.

It is noted that the number of IP Set installations projected by GESCOM for FY16 in the present Tariff filing is 3,38,881 numbers taking into consideration the number of un-authorized IP sets to be regularized and the growth of installations. As for number of installations to be considered for FY15 and FY16, the Commission has considered the figures furnished by the GESCOM. Hence, based on the estimated number of installations for FY15

and FY16, the midyear number of installations has been determined and the Sales to IP Set consumers worked out as under:

Particulars	As per filing by GESCOM	As approved by the Commission
No. of IP Set installations for FY15	3,21,831	3,21,831
No. of IP Set installations for FY16	3,38,881	3,38,881
Mid Year No. of Installation for FY16	3,30,356	3,30,356
Specific consumption in units/ installation / annum	9,503	9,503
Sales in MU	3,139.22	3,139.37

As per the above discussion, the Commission approves 3,139.37 MU as sales for FY16 as against the sales projection of 3,139.22 by the GESCOM. Further, any variation in sales would be tried up during the Annual Performance Review for FY 16.

As discussed in the preceding chapter on APR for FY14, GESCOM has already segregated around 160 number of agriculture feeders from rural loads under NJY scheme and in future the energy consumed by the IP Sets could be more accurately measured at the 11 KV feeder level at the sub-stations after duly allowing for 11 KV and LT distribution system losses. The GESCOM is directed to report the actual IP Set consumption on the basis of data from agriculture feeder energy meters only instead of assessing the IP set consumption based on the readings obtained from energy meters fixed to DTCs feeding predominantly IP Set loads. GESCOM is also directed to furnish feeder wise IP Set consumption based on feeder energy meter data to the Commission every month in respect of agriculture feeders segregated under NJY.

Based on the above discussions, the category wise approved sales vis-à-vis the estimates made by GESCOM is indicated as below:

Category	Sales for FY16		No. of installation for FY 16	
	Approved MU	9 G 7 C A N g Y g sales in MU	Approved Nos.	9 G 7 C A estimate sales in Nos.

LT-2a	1000.68*	1009.56	1551851*	1479938
LT-2b	9.04	8.67	4292	4292
LT-3	264.41	293.68	224548	219951
LT-4 (b)	24.67	24.67	2469	2469
LT-4 (c)	0.78	0.78	392	392
LT-5	158.39	168.10	56599	55045
LT-6	172.10	183.67	17953	19007
LT-6	174.39	184.18	11702	11702
LT-7	15.91	15.91	19025	19025
HT-1	78.72	86.20	124	124
HT-2 (a)	1047.88	1067.65	1397	1395
HT-2 (b)	66.10	70.41	307	302
HT2C	21.74	21.74	77	77
HT-3(a)& (b)	118.70	112.37	236	236
HT-4	12.07	13.41	56	64
HT-5	6.83	6.83	36	36
BJ/KJ	124.13	135.00**	582358	631721**
IP	3139.37	3139.22	338881	338881
Total	6435.0	6542.05	2812302	2784657

*Includes BJ/KJ consuming more than 18 units per month

** Break up of installations consuming less than 18 units/month not furnished.

Thus the Commission decides to approve sales of 6435.0 MU for FY16.

5.2.3 Distribution Losses for FY16

GESCOM has given the following details.

As per the audited accounts for FY14, GESCOM has reported distribution loss of 17.77% as against an approved loss level of 20.00%. The Commission, in its Tariff Order dated 6th May, 2013, had fixed the target level of loss for FY16 at 19.50%. GESCOM in its filing has proposed a loss level of 16.50% for FY16.

The following table shows the performance of GESCOM in achieving the loss targets set by the Commission in the past five years as follows:

The performance of GESCOM in achieving the loss targets set by the Commission in the past five years is as follows:

TABLE 5.4

Approved & Actual Distribution Losses-FY10 to FY14

Particulars	Figures in % Losses				
	FY10	FY11	FY12	FY13	FY14
Approved Distribution losses	24.02	23.00	21.00	19.50	20.00
Actual distribution losses	25.53	22.03	21.71	18.97	17.77

From the above data, it is evident that GESCO has been able to bring down its distribution loss levels from 25.53% in FY10 to 17.77% in FY14 i.e. a reduction by 7.76%. Further, it has proposed loss levels of 16.50% for FY16.

Reduction of distribution losses as proposed by GESCO should be possible with proposed Capital expenditure on new infrastructure, augmentation of existing infrastructure and capex incurred in the past. Therefore, considering the actual distribution losses of 17.77% achieved in FY14, the Commission decides to approve the following range of distribution loss level for FY16

TABLE 5.5
Approved Distribution Losses for FY16

Particulars	Figures in % Losses	
	FY16	
Upper limit	17.00	
Average	16.50	
Lower limit	16.00	

5.2.4 Power Purchase for FY16:

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In its application for revision of ARR for FY16, GESCO has proposed power purchases of 8145.13 MU amounting to ₹182.83 Crores for FY16.

The revised projections including the transmission and system operating charges is indicated in the following Table:

TABLE - 5.6

Consolidated revised projections filed by GESCOM

Source	Revised Projections for FY16 as per filings		
	Energy in MU (Million Unit)	Total Cost (Crs)	Cost per Kwh (Rs/Kwh)
KPCL Hydel Stations	2964.14	171.60	0.58
KPCL-Thermal Stations	2427.36	952.90	3.93
Total	5391.50	1124.50	2.09
CGS	2014.25	669.72	3.32
Major IPPs	82.09	35.25	4.29
Minor-IPPs (NCE Projects)	636.08	267.70	4.21
Other States Projects	21.96	6.88	3.13
Contingent Power purchases (Short term/Medium term/Exchange Purchases)	-0.75	0.00	0.00
Transmission Charges	0.00	78.02	0.00
System Operating Charges	0.00	0.76	0.00
TOTAL	8145.13	2182.83	2.68

7 c a a] g g analysis and decisions;

Based on the energy sales and the approved distribution and transmission losses in the system, as discussed in the preceding paragraphs, the energy requirement to be allowed for FY16 in respect of ESCOMs including HRECS is computed as follows:

TABLE - 5.7

Energy requirement allowed for FY-16

Particulars	BESCOM	MESCOM	CESC	HESCOM & HRECS	GESCOM	Total
Energy at IF point (MU)	29263.16	5086.65	6719.10	11466.77	7707.66	60243.35
% Transmission Losses	3.80	3.80	3.80	3.80	3.80	3.80

Total Energy Requirement (MU)	30419.09	5287.58	6984.51	11919.71	8012.13	62623.02
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The above figure includes the projection of:

- (i) Hukeri Rural Electric Cooperative Society Limited: 249.29 MU and
- (ii) Mangalore SEZ: 80.84 MU

It is seen from the above table that the quantum of power purchase is 62623.02 MU and the overall cost of power purchase for the entire state is estimated at Rs.22514.13 Crores

The energy requirement of ESCOMs is being met by Karnataka Power Corporation Limited (KPCL), Central Generating Stations (CGS), Major Independent Power producers (Major IPPs) and Renewable Energy sources (Minor IPPs/NCE Sources). The available quantum of energy from these sources is projected by the Power Company of Karnataka Ltd., (PCKL) based on the data furnished by Karnataka Power Corporation Ltd., Southern Region Power Committee and the State Load Despatch Centre.

The month wise availability of electricity in terms of Mega Watts and Million Units for FY16 has been furnished by PCKL. Except for the short term / medium term power procurement rates the power purchase rates considered are the current rates admitted for payment by ESCOMs. The power purchase rates considered for the Short term / Medium term sources is at Rs. 25 per unit, the current weighted average rate admitted by PCKL.

The Commission, while reviewing the power position and power purchase in State from time to time, approves short term/medium Term procurement at the rate determined through competitive bidding. During FY-14, ESCOMs have purchased short-term power of 64836 MU out of the total procurement of 57724.78 MU, which accounts for 11.23% of the total

quantum for the year. During FY13, the short term power purchase was to the tune of 11046.36 MU out of total power purchase of 57182.73 MU, which accounts for 19.32% of the total power purchase for the year.

Though the procurement of short term/medium term procurement has come down during the last couple of years, with a view to limit the cost of short term power procurement, the Commission reiterates its earlier directive that, any short term/medium term procurement of power over and above the rate Rs 4.50 per Kwh, shall be made by ESCOMs only with the prior approval of the Commission.

As indicated in the above table 5.7, the available energy from individual sources for FY16 furnished by KPCL is assigned to each one of the ESCOMs as per the allocation made by the Government of Karnataka vide its order No: EN 47 PSR 2014, Bangalore dated 26.02.2015.

Any variations in actual quantum of energy and its cost against the quantum allocated as per the Government Order will be reviewed at the time of annual performance review of FY 16.

Based on the above said energy requirement and the allocation given by Go K, the power purchase of GESCO from KPCL Generation stations, Central Generating Stations, Major IPPs, Minor IPPs, and Short term /medium term sources, for FY16 is worked out and consolidated as under table:

TABLE - 5.8
Power Purchase for FY16 (GESCO)

Source	Energy in MU (Million Unit)	Fixed charges (Crs)	Energy charges (Crs)	Total Cost (Crs)	Cost per Kwh (Rs/Kwh)
KPCL Hydel Stations	1995.04	34.30	110.61	144.91	0.73

KPCL-Thermal Stations	3147.20	290.43	929.93	1220.36	3.88
KPCL Stations	5142.24	324.73	1040.54	1365.28	2.66
CGS	1995.75	137.46	457.16	594.62	2.98
Major IPPs	82.09	14.26	19.66	33.92	4.13
Minor-IPPs (NCE Projects)	587.31	0.00	221.19	221.19	3.77
Other States Projects	21.96	0.00	3.95	3.95	1.80
Contingent Power purchases (Short term/Medium term/Exchange Purchases	182.79	0.00	95.96	95.96	5.50
Transmission Charges	0.00	409.55	0.00	409.55	0.00
System Operating Charges	0.00	4.23	0.00	4.23	0.00
TOTAL	8012.14	890.23	1838.48	2728.71	3.41

The source wise approved total power purchase of ESCOMs and that of GESCOM for FY16 is shown in Annexure-1 and Annexure -2 respectively.

Any shortfall in the availability of energy beyond the above said approved quantum, shall be met through short term / medium term procurement through competitive bidding, on prior approval of the Commission.

The Commission notes that, consequent to the variation in actual quantum of power purchase against the quantum allocated as per GOK Order, inter ESCOM power purchases have to be settled among ESCOMs. For settlement of inter ESCOM power purchase dues; no mechanism has been put in place. If the inter ESCOMs claims are not settled, it will lead to serious cash flow problems as well as distortion in the revenue/expenditure of the ESCOMs concerned. The Commission has therefore decided that, the inter ESCOM dues as agreed and confirmed by them should be paid

