KARNATAKA ELECTRICITY REGULATORY COMMISSION

TARIFF ORDER 2014

OF

MESCOM

(UNDER MYT FRAMEWORK)

ON

ANNUAL PERFORMANCE REVIEW FOR FY13
&
APPROVAL OF ARR
&
RETAIL SUPPLY TARIFF FOR FY15

12th May 2014

6th and 7th Floors, Mahalaxmi Chambers
9/2, M.G. Road, Bangalore-560 001
Phone: 080-25320213 / 25320214
Fax: 080-25320338
Website: www.karnataka.gov.in/kerc

CONTENTS

LIST OF TABLES

LIST OF ANNEXURES

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
MESCOM	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 12th day of May, 2014.

Order on MESCOM's Annual Performance Review for FY13 and Revised ARR & Retail Supply Tariff for FY15

In the matter of:

Application of MESCOM in respect of the Annual Performance Review for FY13 and Revised ARR & Retail Supply Tariff for FY15 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 Mangalore Electricity Supply Company Ltd., (hereinafter referred to as MESCOM) is a Distribution Licensee under the provisions of the Electricity Act 2003, and has on 13.12.2013 filed the following applications for consideration and orders:

a) Approval of the Annual Performance Review for the financial year FY13 and Revision of ARR for FY15.

b) Approval of the revised distribution and Retail Supply Tariff for the financial year 2014-15 (FY15).

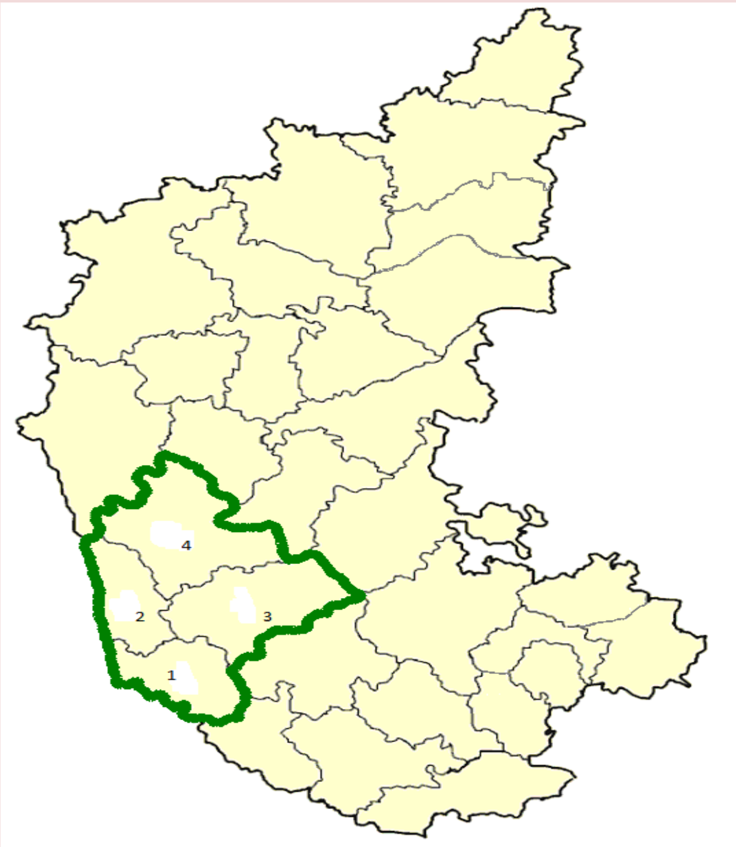
In exercise of the powers conferred under Sections 62, 64 and other provisions of the Electricity Act, 2003, read with KERC (Terms and conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, and other enabling Regulations, the Commission has carefully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

CHAPTER – 1

INTRODUCTION

1.0 Brief History of MESCOM:

Mangalore Electricity Supply Company Ltd., (MESCOM) is a Distribution Licensee under Section 14 of the Electricity Act, 2003. MESCOM 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 four Districts of the State as indicated below:



1. Dakshina Kannada
2. Udupi
3. Chickamagaluru
4. Shimoga

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

Subsequently, MESCOM was split into two companies namely MESCOM with headquarters at Mangalore covering five districts namely Dakshina Kannada, Udupi, Shimoga, Chickmagalore and Kodagu and the Chamundeshwari Electricity Supply Corporation (CESC) with headquarters at Mysore covering four districts namely Mysore, Chamarajanagar, Mandya and Hassan. This came into effect from 1st April, 2005. Further, the Madikeri Division (Kodagu District) was transferred from MESCOM to CESC with effect from 1st April, 2006.

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

O&M Zones	O&M Circles	O&M Divisions
Mangalore Zone	Mangalore Circle	Mangalore Urban
		Mangalore Rural
		Puttur
		Bantwal
	Udupi Circle	Udupi
		Kundapur
	Shimoga Circle	Shimoga
		Sagar
		Badravathi
		Shikaripura
	Chickamagalur Circle	Chickamagalur
		Kadur

The O & M divisions of MESCOM are further divided into forty nine sub-divisions with each of the sub-divisions having two to three O & M section offices. There are 189 O & M accounting / non accounting section offices.

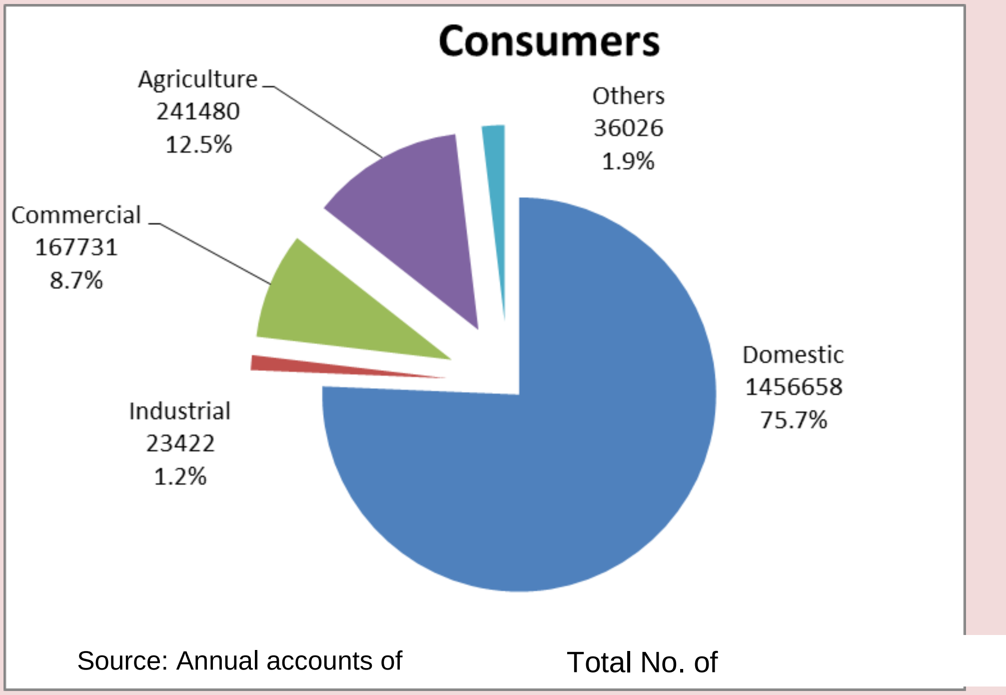
The section offices are the base level offices looking into operation and maintenance of the distribution system in order to provide reliable and quality power supply to MESCOM's consumers.

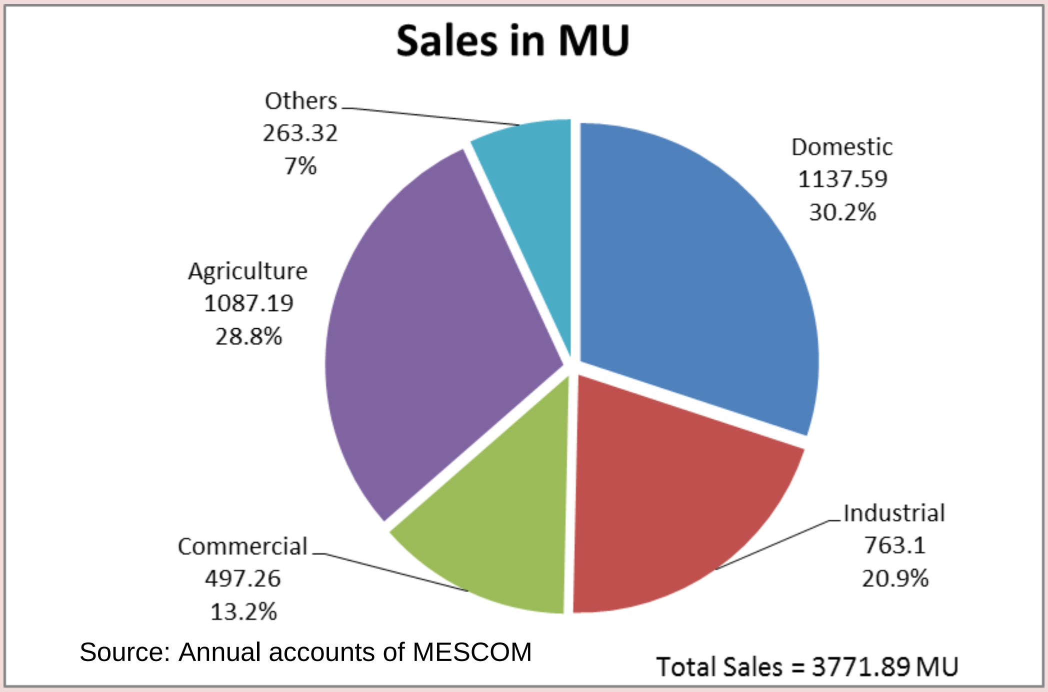
1.1 MESCOM at a glance:

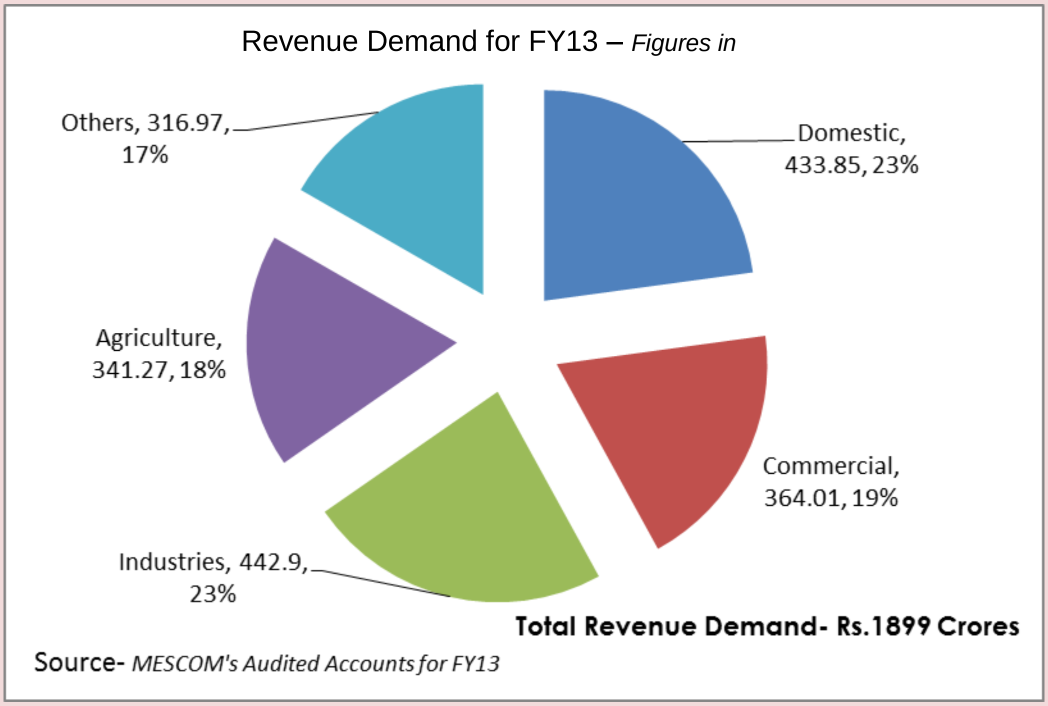
The profile of MESCOM is as indicated below:

Sl. No.	Particulars (As on 31-3-2013)		Statistics
1.	Area	Sq. km.	26220
2.	Districts	Nos.	4
3.	Taluks	Nos.	22
4.	Population	lakhs	61.55
5.	Consumers	lakhs	19.25
6.	Energy sales in FY13	MUs	3771.89
7.	Zone	Nos.	1
8.	DTCs	Nos.	41183
9.	Assets (including current assets)	Rs. in Crores	2761.73
10.	HT lines	Ckt. kms	27972
11.	LT lines	Ckt. kms	72124
12.	**Total employees strength:**		
A	Sanctioned	Nos.	6411
B	Working	Nos.	3794
13.	Revenue Demand in FY13	Rs. in Crores	1899
14.	Revenue Collection in FY13	Rs. in Crores	1754.82

1.2 **Number of Consumers, Sales in Mu and Revenue details of MESCOM in FY13 is as follows:**







MESCOM has filed its application for approval of Annual Performance Review for FY13, revised Annual Revenue Requirement (ARR) and Retail Supply Tariff for FY15.

MESCOM's applications, the objections / views of stakeholders thereon and the Commission's decisions on the approval of Annual Performance Review for FY13, Revision of ARR and the Retail Supply Tariff for FY15 are discussed in detail in the subsequent chapters of this Order.

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 MESCOM for FY14 under MYT principles for the control period of FY14 to FY16. MESCOM in its present application filed on 13th December, 2013 has sought approval for the Annual Performance Review for FY13 based on the audited accounts, Revised ARR for the 2nd year of the third control period i.e. FY15 and Revised Retail Supply Tariff for FY15.

2.1 Preliminary Observations of the Commission

After a preliminary scrutiny of applications, the Commission had communicated its observations to MESCOM on 31st December, 2013. The preliminary observations were mainly on the following points:

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

MESCOM in response has furnished its replies on 4th January, 2014. The replies furnished by MESCOM 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 Regulations 2000, and KERC (General and Conduct of Proceedings) Regulations, 2000, the Commission vide its letter dated 20th January, 2014 treated the application of MESCOM as petition and directed MESCOM to publish the summary of ARR and Tariff proposals in the newspapers calling for objections if any from interested persons.

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

Name of the News Paper	Language	Date of Publication
INDIAN EXPRESS	English	6/2/2014 & 7/2/2014
THE HINDU		
VIJAYAVANI	Kannada	
VIJAYA KARNATAKA		

MESCOM's application on APR for FY13, revision of ARR and Tariff for FY15 were also hosted on the web sites of MESCOM and the Commission for the ready reference and information of the general public.

In response to the application of MESCOM the Commission has received two thousand six hundred fifty eight statements / letters of objections. MESCOM has furnished its replies to all these objections. The Commission has held a Public Hearing on 23.04.2014 at Mangalore. The details of the written / oral submissions made by various stake holders and the response from MESCOM 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 5th May, 2014. During the meeting the following important issues were also discussed:

- Projections of Power availability for FY15
- Performance of KPTCL / ESCOMs during FY13
- 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

SUGGESTIONS / OBJECTIONS AND REPLIES

The Commission undertook the process of public consultation in order to obtain suggestions / views / objections from the interested Stake-holders on the Tariff Applications filed by ESCOMs. In the written submissions as well as during the public hearing some Stake-holders and public have also raised several objections to the Tariff Applications filed by ESCOMs. Among them, the following Hon'ble Members of Karnataka Legislative Assembly and Legislative Council have expressed their views as mentioned below:

3.1 Sri.Vasu, Hon'ble M.L.A., Chamaraja Constituency, Mysore.

The Hon'ble Member of the Legislative Assembly, Chamaraja Constituency, Mysore has communicated his views in writing that ESCOMs have not collected the arrears from consumers and therefore, it is not appropriate to revise the tariff. He has also opined that honest consumers are being penalized by increasing the tariff and at the same time, non-paying consumers are benefitted by non recovery of their arrears. Therefore, he has requested the Commission to take up tariff determination only after ESCOMs collect arrears.

Further, the Hon'ble Legislative Assembly Member has stated that transmission losses and increasing costs have to be monitored seriously and every year Management Audit has to be conducted to improve the quality of administration. He has stated that the post of Technical Advisor in the Commission is vacant and during the tariff determination process, the services of an experienced Technical Advisor is necessary and important. Hence, he has advised the Commission to defer the tariff revision till the post of Technical Advisor is filled up.

3.2 Sri Aswathnarayan, Hon'ble M.L.C.

The Hon'ble Member of the Legislative Council has attended the public hearing on the Tariff and ARR Application filed by BESCOM, convened on 21.04.2014 at KERC Office, Bangalore and expressed concern that electrical accidents are occuring frequently and demanded that ESCOMs should take serious note of the alarming accidents causing deaths to both human beings and animals. The Hon'ble Legislative Member requested the Commission to instruct ESCOMs to prevent electrical accidents to save precious human and animal lives.

The Hon'ble Member also stated that, people are ready to pay a higher tariff provided ESCOMs ensure continuous and quality power supply. He also brought to the notice of the Commission that there was often no power supply in Nelamangala taluk even to draw water for bathing cattle. He opined that power supply during the night would not help the farmers as it would endanger their lives.

Commission's views:

The Commission has taken note of the views expressed by the Hon'ble Members of State Legislature.

3.3 List of persons who filed written objections:-

Sl. No.	*Application No.*	*Names & Addresses of Objectors*
1	MA-01 to MA-42	Sri. K.Narasimha Nayak and others, Theerthalli Taluk.
2	MA-43 to MA-52	Sri.Jayarama Shetty& others, Udupi District.
3	MA-53	Sri. BalaSubramanya Bhat J, Belthangady Taluk
4	MA-54 to MA- 203	Sri. M Sadananda and others, Theerthalli Taluk.
5	MA-204	Sri. T.N.Sudarshan, Secretary General, Federation of Karnataka Chamber of Commerce & Industry, (FKCCI) Bangalore
6	MA-205	Sri. M.S. Sreenivas, Renewable Energy Developers Association

		of Karnataka (REDAK), Bangalore.
7	MA-206 to MA-256	Sri. T.S. Dakappa and others, Theerthalli Taluk.
8	MA-257	Sri. K.N. Venkatagiri Rao, Secretary, Consumer's Forum, Sagar.
9	MA-258	Sri. A. Padmanabha, Hon. General Secretary, KASSIA, Bangalore.
10	MA-259 to MA-317	Sri. T Riyaz & others, Theerthalli Taluk.
11	MA-318	Sri Prem Chand, Chief Electrical Traction Engineer, South Western Railway.
12	MA-319 to MA-344	Sri. Dr. Arunkumar P& others, Theerthalli Taluk
13	MA-345	Sri. Sathyanary ana Udupa, Bharatiya Kissan Sangha, Udupi.
14	MA-346 to MA-350	Sri. Naveen Chandra Jain, Bharatiya Kissan Sangha, Karkala & others
15	MA-351	Sri Ravindra Gujjarabettu, Udupi District.
16	MA-352	Sri. Ramamohan Pai Maroor, Hon. Secretary, Canara Chamber of Commerce & Industry, Mangalore.
17	MA-353	Sri. B. Panduranga Baliga, Bharath Iron Works, Belthangady.
18	MA-354 to MA-374	G. Manjunath Shetty and Others, Theerthalli Taluk.
19	MA-375	Sri. Gaurav Hedge, Secretary, Kanara Small Industries Association, Mangalore.
20	MA-376	Sri. Anil Savur D, Secretary, The Karnataka Planters' Association, Chikmagalur.
21	MA-377	Sri. D. L.Venkatesh, Hon. General Secretary, Laghu Udyog Bharati- Karnataka, Bangalore.
22	MA-378	Sri. D. Subrahmanya Bhat, Bantval Taluk, Dakshina Kannada District.
23	MB-01	Sri. Charles Pereira, "Pereira Nivas" Kaidel, Bajal Post, Mangalore.
25	MB-02 to MB-73	Smt. Chandrakala and others, Sagar.
26	MB-74	M/s. Doddanavar Global Energy Pvt Ltd, Bangalore
27	MB-75 to MB-113	Sri. Naveen Chandra and Others, Mangalore.
28	MB-114 to MB-2273	Sri. Sadananda Shetty, Udupi District.
29	MB- 2274	Sri M. Narayana Bhat, President, Dakshina Kannada and Udupi District Advertising Organizations Owners Association, Mangalore
30	AE-01	Sri. B.G. Shetkar, President,Bidar Chamber of Commerce & Industry.
31	AE-02	Sri. Anantharamaih, Senior Citizen.
32	AE-03	Sri. Bharatarshabha Dasa, Head-Communication & Public Relations, ISKCON.
33	AE-04	Sri. T.M. Vijaya Bhaskar, Additional Chief Secretary to

		Government, Department of Rural Development &Panchayat Raj, GoK, Bangalore
34	AE-05	Sri. Raghavendra Gupta, Indus Towers Ltd, Bangalore.
35	AE-06	Sri. B. S. Shetty, President Indian Wind Power Association (Karnataka State Council).

3.4 List of the persons who made oral submissions during the Public Hearing on 23.04.2014.

SL.No.	***Names & Addresses of Objectors***
1	Sri. R. Narayana Rao, HPCL, POL Terminal
2	Sri. Ramakrishna Sharma & Kudi Srinivasa Bhat, Udupi Zilla Krushika Sangha.
3	Sri. S.S. Kamath & Sri B.A. Nazeer, Kanara Chamber of Commerce & Industry, Mangalore & Kanara Small Industries Association.
4	Sri. Anil Savur, Secretary, Karnataka Planters Association.
5	Sri. Satyanarayana Udupa, Secretary, Bharatiya Kissan Sangha, Udupi.
6	Sri. B.V. Poojary, President, Bharatiya Kissan Sangha, Udupi.
7	Sri. Naveen Chandra Jain, President, Bharatiya Kissan Sangha, Karnataka.
8	Sri. R. Narasimha Nayak, IP set Association, Theerthalli.
9	Sri. Jayaraj Pai, KASSIA
10.	Sri. Walter Montiero, CILA Advertisers.
11.	Sri. Balasubramanya, Secretary, Savayava Krushi Parivar
12	Sri. G. Hamumantha Kamath, President, Nagareeka Hitarakshana Samithi
13	Sri. Krishna Murthy, Farmers Foundation.
14	Sri. Harikrishna Rao, Kulai.

The above persons have raised several issues concerning tariff, quality of power supply, compliance of Commission's directives, wheeling and banking and some specific requests concerning the own tariff category. The following are the objections and comments received on various issues relating to MESCOM's application and the response of MESCOM:-

3.5 Tariff related issues:

1) Tariff hike is not necessary as a good monsoon has resulted in increased generation of power, thereby decreasing the power procurement cost of MESCOM.

   RESPONSE OF MESCOM:-

   Hydel power contributes to only 34% of the total energy requirement of the State, and MESCOM has to procure energy from other sources to meet the increasing demand. In the circumstances, tariff revision is necessary to meet the cost of power purchase and to improve & maintain the distribution network.

2) The proposed hike of Re. 0.66 per unit is not proper as the revenue gap can be made good by reducing the unnecessary expenses & distribution losses or by receipt of subsidy from GoK as being provided to other sectors like Education and Health. It is requested to reduce the tariff as is being done in New Delhi and other states.

   RESPONSE OF MESCOM:-

   The distribution losses in the Company are lower compared to other Companies and MESCOM is making efforts to reduce it further. Providing subsidy to ESCOMs to meet the estimated revenue gap is left to the discretion of Government. Tariff revision is necessary to meet the cost of power purchase and to maintain the network.

3) MESCOM has made a profit of Rs.12.60 Crores during FY2013, but has estimated a loss of Rs.196.98 Crores for FY15, and sought a revision of 66 paise per unit in spite of the fact that the Commission has allowed all its expenses.

RESPONSE OF MESCOM:-

MESCOM has indicated a profit of Rs.12.59 Crores for FY13 taking into account Rs.202.56 Crores as income on account of Regulatory Assets and Rs.70.06 Crores as written back depreciation provision created on Fixed Assets acquired out of Government grants / consumer contribution. As these items are not accounted for FY15, a loss of Rs.286.32 Crores is estimated and revision of tariff is sought to fill the gap.

4) MESCOM's receivables from ESCOMs / KPTCL have increased from Rs.234 Crores in 2007-08 to Rs.758.80 Crores and the interest on the said amount is borne by MESCOM instead of charging on the concerned ESCOMs/KPTCL. Further, MESCOM has paid Rs.96.40 Crores as interest to KPCL for the belated payment of power bills. It is requested to disallow a sum of Rs.73.23 Crores towards the interest on receivables.

RESPONSE OF MESCOM:-

Based on the actual consumption, receivables from other ESCOMs are calculated and action is taken to realize the arrears. MESCOM has opined that the interest on account of belated payments to generators has to be passed on to the consumers.

5) MESCOM is not making efforts to collect the outstanding arrears of Rs.184 Crores from the Govt., Local Bodies, street lights and water supply installations and Rs.25.33 Crores from Mysore Paper Mills.

RESPONSE OF MESCOM:-

MESCOM is taking action to recover dues from all its consumers including water supply and street lights dues. MESCOM is taking steps to collect the outstanding dues from Local Bodies and Mysore Paper Mills by holding discussions. However, the accounting of revenue and expenditure is on accrual basis and non-recovery of arrears does not impact revenue gap.

6) Even though MESCOM's performance is better compared to other Companies, the decision to seek increase of 66 paise per unit on par with other Companies is not proper. As per Section 61(g) of Electricity Act 2003, the tariff should be based on the actual cost of supply and there is no basis for all ESCOMs seeking uniform hike in tariff.

RESPONSE OF MESCOM:-

There is an increase in average cost of supply due to increase in power purchase cost and other factors leading to cost burden on the Company and tariff revision is inevitable to fill the gap.

7) MESCOM is estimating the consumption of BJ/KJ and IP sets and claiming huge amount as subsidy from the Government. In order to claim higher subsidy from GoK and cross subsidy from other consumers, MESCOM has not calculated the actual sales to IP sets and BJ/KJ installations even though 92.6% of IP sets and 89.7% of BJ/KJ installations have been metered.

RESPONSE OF MESCOM:-

GoK provides subsidy in respect of the energy consumption of IP sets of 10 HP and below capacity and in respect of BJ/KJ installations up to 18 units as indicated in Form-24 of the tariff petition. The consumption of IP sets is based on the readings of meters fixed to the Transformers predominantly supplying energy to IP sets and the consumption of BJ/KJ is based on meter readings of BJ/KJ installations.

8) MESCOM has not calculated the expenditure on the basis of the Tariff Order of 2013 but, is adhering to the order of 2012.

RESPONSE OF MESCOM:-

MESCOM has estimated the expenditure based on the Tariff Order of 2013 as shown in D21 statement.

9) Even though the Commission had opposed to approve the money spent on employees' bonus, welfare fund and advertisement, MESCOM is including it in the tariff petition to pass on the burden to consumers which is not correct.

RESPONSE OF MESCOM:-

The details of all expenditure are submitted to the Commission and the Commission will consider the same before passing the order.

10. The advance against depreciation of Rs.61.19 Crores sought by MESCOM is not proper and needs to be disallowed.

RESPONSE OF MESCOM:

MESCOM has calculated the Advance against depreciation as per the Commission's order dated 17.10.2013 in case No. B/06/09, pursuant to the directions of Hon'ble ATE.

11. Government is allotting high cost power to MESCOM and showing discrimination in release of subsidy.

RESPONSE OF MESCOM:-

The Commission will consider the allocation Order issued by GoK while determining the tariff.

12. A rebate of Rs.100/- has to be provided for use of Solar Water Heaters and Solar lights.

RESPONSE OF MESCOM:-

MESCOM will abide by the Order of the Commission.

13. MESCOM has not filed the Annual Accounts as per the Companies Act, 1956 and as per the directions of Hon'ble ATE in Appeal No. 108 of 2010 and the petition is not in conformity with the Regulations 2.1(iv), 2.1(vii) and 3.6.1 of KERC MYT Regulations. MESCOM has sought approval of controllable and uncontrollable costs as per actuals instead of seeking revision of MYT approved ARR.

RESPONSE OF MESCOM:-

MESCOM has followed the consequential order of the Commission dated 17.10.13, passed in pursuance of the directions issued by the Hon'ble ATE in Appeal No. 108/10. The projections in the ARR/ERC proposals are based on the principles laid down in MYT Regulations duly considering the trends in the previous years and the inflation factors. The reasons for the variations are detailed in the Annual Performance Review application. The ERC/ARR & Tariff application of MESCOM has been treated as a petition by the Commission and is under consideration before the Commission.

14. MESCOM has spent Rs.1537.43 Crores as against the approved power purchase cost of Rs.1334.87 Crores for FY13 and an amount

of Rs.202.56 Crores has been accounted under the Regulatory Assets recovery/ truing up subsidy. It is requested not to pass on the additional power purchase cost to the consumers.

RESPONSE OF MESCOM:-

MESCOM has sought creation of a Regulatory Asset of Rs.202.56 Crores in the year 2012-13 taking into account the difference between the approved power purchase cost and the actual power purchase cost. After writing off the balance amount of Regulatory Asset of Rs.33.66 Crores created in FY-2011, the net amount is Rs.168.90 Crores.

15. MESCOM has made payment for the energy purchased from TATA Power even though the same was allocated and utilised by HESCOM during the Assembly Session at Belgaum in December 2012. MESCOM has included this amount in the ERC filing which is not correct.

RESPONSE OF MESCOM:-

ESCOMs follow the Orders of GoK in respect of allocation of energy.

16. The cost of power procured by MESCOM from UPCL should not be passed on to consumers as the same has not been approved by the Commission.

RESPONSE OF MESCOM:-

With regard to power purchased from UPCL, MESCOM has stated that CERC has passed an Order on 20.02.2014 determining tariff for the UPCL Units I & II. Hence, the purchase of energy to the extent 501.05 MU, is in order.

17. The compensation paid to the generators pursuant to the Order passed by the GoK under Section 11 should have been paid by the Government and cannot be passed on to the consumers.

RESPONSE OF MESCOM:-

Section 11 does not mention that the compensation is payable by the State Government. MESCOM being the beneficiary of the power purchases under Section 11, has paid for the energy received.

18. The petition for revision of tariff has not been filed by an authorised person of MESCOM and is liable to be rejected on this ground.

RESPONSE OF MESCOM:-

The tariff petition is filed by the person authorized by the Company. As per Regulation 17 of the KERC (G&C of Proceedings) Regulations, the petition and an affidavit have to be made before the Commission through an authorized employee. The authorization is given to the Executive Engineer (Ele), Regulatory Affairs, by the Board of Directors. On the basis of the authorization given, the authorized signatory has filed the petition.

19. Cross subsidy and subsidy should be regulated as per the Electricity Policy and Electricity Act 2003.

RESPONSE OF MESCOM:-

For BJ/KJ category, reimbursement is given by GoK on average cost of supply. In case of IP sets the Commission will determine the CDT considering the cross subsidy available for the Company and the cost of supply.

20. MESCOM has not filed the tariff petition before 30th November 2013 as per the MYT Regulation 2.7.1.

RESPONSE OF MESCOM:-

The Commission has considered the ERC/ARR & Tariff application of MESCOM as a petition.

21. MESCOM has not indicated any steps to improve its efficiency to transfer the benefit of efficiency gains to the consumers and in the absence of any specific gains the application is not maintainable. MESCOM has failed to improve efficiency and has not complied with all directives. Hence, it is suggested to reverse the earlier order.

RESPONSE OF MESCOM:-

The efficiency gains to be transferred to the consumers will be computed by the Commission at the time of truing up.

22. As per the Tariff Policy, the tariff to be fixed should be within +/- 20 % of the "cost to serve". Since the cost to serve of MESCOM has not been approved by the Commission, it is not possible to verify whether the proposed tariff is within limits. The Commission had directed MESCOM to implement Conditions of Supply methodology in its Tariff Order dated 22-01-2008. But, MESCOM has failed to implement the cost to serve model, even though a study was conducted by a private consultant in this regard.

RESPONSE OF MESCOM:-

The "Cost to Serve" model would mean introduction of differential tariff among the ESCOMs and the differential tariff would be a policy matter of the Government because of its far-reaching implications on the consumers. A report has been submitted to Government for decision.

23. The Fixed charges of Rs.5 has been increased in the last tariff revision by the Commission, without any request from ESCOMs and the same has to be withdrawn.

RESPONSE OF MESCOM:-

The Commission has not increased the fixed charges in the last Order.

24. The capital investment made on the assets which have not been put into use for several years should not be passed on to the consumers.

RESPONSE OF MESCOM:-

The Commission has conducted prudence check through a third party in the matter of the capital expenditure of MESCOM.

25. It is suggested to recover the actual cost of supply to IP sets by way of subsidy from GoK as against the claim of 54.37% as subsidy. MESCOM has not made any proposal to increase the tariff for the consumers of IP sets and BJ/KJ which is subsidized by GoK. MESCOM should realize the tariff of Rs.4.91 per unit proposed to BJ/KJ and IP set category also, so that, revenue of more than Rs.178 Crores can be collected.

RESPONSE OF MESCOM:-

Free power supply is provided to IP sets as per the policy of GoK. MESCOM is following the guidelines of the Commission in giving power supply connections to IP sets.

26. MESCOM has treated the consumer deposit as capital asset and claimed the interest paid to the consumer as expenditure in the proposed ARR. MESCOM is claiming RoE @15.5% for Rs.49.03 Crores being its share of the capitalised consumer deposit of Rs.205.50 Crores and interest paid to the consumers at 6% per annum. The RoE for the said amount of Rs.49.03 Crores is to be disallowed. MESCOM has claimed 19.37% of RoE for the Capital Investment, but as per MYT Regulation, it can only claim ROE in the Debt Equity ratio of 70:30.

RESPONSE OF MESCOM:-

The capitalization of the Consumer Security Deposits was done as per the directions of the Government.

27. The interest levied on the IP set arrears which have been paid by the farmers before commencement of the One Time Settlement Scheme has to be refunded or adjusted in future bills.

RESPONSE OF MESCOM:-

The One Time Settlement Scheme for paying IP set arrears is still in force.

28. In the absence of liability of MAT, the Fringe Benefit Tax is not a tax on income and MESCOM should not be allowed to pass on the Income Tax liability to consumers.

RESPONSE OF MESCOM:-

MESCOM has not filed any response.

29. Transmission losses are included in the ERC of MESCOM as well as in the ERC of KPTCL.

RESPONSE OF MESCOM:-

The transmission losses are included in the ERC to arrive at the energy requirement at generation point, and the same is necessary for estimation of power purchase cost.

30. It is suggested that the Commission has to scrutinise the correctness of the expenses incurred by the licensee and conduct prudence check, before finalising the tariff.

RESPONSE OF MESCOM:-

The capital investment made by MESCOM is subject to prudence check by the Commission through third party assessment.

31. Solar rebate given to consumers having Solar Water Heaters should be extended to all LT2 consumers who do not use heating loads as the tariff should be technology and resource neutral.

RESPONSE OF MESCOM:-

With regard to the suggestion that rebate has to be provided for the installations utilizing heaters with agriwaste & biofuels besides Solar Water Heaters, MESCOM has stated that rebates are being extended to the consumers as per the Tariff Orders.

32. Under the provisions of Electricity Act, 2003, the allocation of power to ESCOMs has to be made by the Commission and not by GoK.

RESPONSE OF MESCOM:-

The Commission will consider the allocation order issued by GoK while determining the tariff.

33. It is suggested that, increase in tariff should be based on the quantum of consumption of power instead of increase of the proposed tariff hike of 66 paise to all categories.

RESPONSE OF MESCOM:-

The suggestion of the objector to fix tariff based on the quantum of consumption may be considered by the Commission.

34. It is suggested that low cost power from Hydel and thermal sources have to be utilised at optimum level and PLF of KPC thermal plants needs to be improved, to reduce power purchase cost.

RESPONSE OF MESCOM:-

The Commission is required to take a view on the issue.

35. MESCOM has not objected to the tariff proposal of KPTCL due to an understanding between MESCOM and KPTCL thereby violating the Condition No. 29.2 of the terms of Licence.

RESPONSE OF MESCOM:-

The Commission will look into the tariff proposal of KPTCL.

3.6 Quality of power supply:

36. Due to shortage of staff, particularly linemen, MESCOM is not able to provide quality service to the consumers.

RESPONSE OF MESCOM:-

MESCOM is taking necessary action to maintain distribution lines, address the consumer complaints and during monsoon special teams are formed to tackle the problems. MESCOM has taken action to recruit linemen.

37. Even though MESCOM has added transformers and lines in its network, the quality of power supply and reliability has not improved in rural areas due to lengthy LT lines and inadequate linemen to attend to the faults.

RESPONSE OF MESCOM:-

MESCOM is taking all necessary measures to provide quality power to the consumers and reduce distribution losses by reconductoring old conductors and replacing the failed transformers. MESCOM is taking action to fill the vacancies of linemen.

38. MESCOM has failed to control theft/ pilferage of electricity resulting in high distribution losses.

RESPONSE OF MESCOM:-

The distribution loss in the Company is low compared to other Companies and that it is making efforts to reduce it further.

39. MESCOM is insisting on consumers purchasing meters on their own, against the provisions of the Electricity Act, 2003.

RESPONSE OF MESCOM:

As per KERC Regulations, either the consumer has to purchase the meter or the Company should provide the meter and if the Company provides the meter, the consumer has to pay the Meter Security Deposit to the Company. MESCOM is following the Regulations.

40. It is suggested to provide a toll free telephone facility to the consumers to lodge their complaints /grievances.

RESPONSE OF MESCOM:-

MESCOM has established the facility of toll free telephone number **1917**(for land line users) and **1800 425 1917**(for Mobile phone users) to lodge complaints.

41. MESCOM should educate the consumers about vigilance activities and provide an opportunity to seek review of the penalty imposed by vigilance squad. Further, it is suggested that, MESCOM should conduct consumer awareness programmes about saving of power, supply CFL and LED bulbs at concessional rates, set up of special task force to maintain the distribution lines and take timely action on consumer complaints.

RESPONSE OF MESCOM:-

Detailed information about theft, un-authorized use of electricity and vigilance activities is available on the website of MESCOM.

MESCOM has taken action to create awareness among consumers and is providing CFL bulbs under RGGVY scheme.

MESCOM has taken steps to redress consumer grievances and will take action to strengthen the 'Soujanya Counter' system.

42. MESCOM is creating confusion by issuing bills even though the IP set consumption is free for the farmers and causing delay in servicing new IP set installations.

RESPONSE OF MESCOM:-

In the bills issued to IP set consumers it is specifically mentioned that the amount is being paid by GoK and there is no scope for confusion.

43. The transformers and burnt meters are not being replaced immediately.

RESPONSE OF MESCOM:-

MESCOM is taking necessary action to maintain lines and address the consumer complaints and special teams are formed during monsoon to tackle the problems.

44. It is suggested to regularise the un-authorised IP sets without collecting any fee from the farmers.

RESPONSE OF MESCOM:-

MESCOM is following the guidelines of the Commission in giving power supply connections to IP sets.

45. It is suggested to take action to prevent the overloading of the Distribution Transformers.

RESPONSE OF MESCOM:-

MESCOM has taken action to replace high capacity DTCs by smaller capacity DTCs kept near the load centers and this leads to HVDS by limiting extension of LT lines.

46. As per Section 23 of the Electricity Act, MESCOM should have taken approval of the Commission for load shedding, but, is resorting to unscheduled load shedding on its own which is adversely affecting the industries. MESCOM is not supplying minimum of 11 hours of power supply to the consumers during night. Continuity of power supply in rural areas is not maintained by MESCOM and the interruptions are very high with unscheduled load shedding and low voltage problems. MESCOM has not achieved the energy sales approved by the Commission due to increased load shedding.

RESPONSE OF MESCOM:-

Being a Government Company, MESCOM has to have equitable distribution of available power to the consumers and it is necessary to match the requirement with the availability. MESCOM has, by and large, managed to provide the declared hours of electricity and, the unscheduled load shedding is due to technical problems and not intentional.

Scheduled load shedding is being notified in advance. However, unscheduled load shedding is resorted to when there is mismatch between power supply demand and the availability. Even after taking all precautionary measures and plans the sudden reduction in generation affects the power supply position.

47. Independent feeders should be provided to the industries to reduce the interruptions.

RESPONSE OF MESCOM:-

Depending on the requirement & field situations, MESCOM will examine providing independent feeders for industries.

48. MESCOM has not complied with the provisions of Section 47(5) of the Electricity Act 2003 in the matter of implementation of prepaid meters.

RESPONSE OF MESCOM:-

MESCOM has contemplated to provide prepaid meters for the installations coming under LT-7 category and has invited tenders for the purpose.

49. MESCOM has not furnished the details of the quantum of free electricity supplied to its employees and the electricity used in the Sub-stations and offices.

RESPONSE OF MESCOM:-

The electricity at concessional rates is provided to 1636 officers/employees of MESCOM. This facility is not extended to officers/employees appointed after 8.05.1997. The energy consumption in the MESCOM offices is being accounted as per the applicable tariff.

50. MESCOM has failed to provide infrastructure to unauthorized IP sets of farmers, who have already paid the amount for regularization.

RESPONSE OF MESCOM:-

The supply to IP sets is being catered as per the policy of GoK taking into account of the availability of power. 21693 IP sets have been regularized and infrastructure for 12781 IP sets is being provided.

51. MESCOM has not provided the details of amount spent on the Consumer Welfare Fund.

RESPONSE OF MESCOM:-

MESCOM has spent the amount in conducting public awareness programmes, safety measures, energy saving methods, activities of CGRF, etc and has given the details in page 141 of the petition.

52. MESCOM should avoid meter reading on general /weekly holidays.

RESPONSE OF MESCOM:-

MESCOM is adhering to the schedule of meter readings.

53. MESCOM should incentivize the consumers for prompt payments and allow payments through electronic money transfer.

RESPONSE OF MESCOM:-

MESCOM would adhere to the Orders of the Commission.

54. It is suggested that insulated overhead cables may be used instead of LT overhead lines to avoid pilferage, accidents and interruptions.

RESPONSE OF MESCOM:-

MESCOM would adhere to the Orders of the Commission.

55. MESCOM is not sanctioning power to IP sets in Bantwal, Sullya and Belthangadi taluks contending that these taluks have been classified as dark and grey areas.

RESPONSE OF MESCOM:-

Under the provisions of Karnataka Ground Water (Regulation and Control of Development and Management) Act, 2011, a District level Committee has been constituted to examine and approve digging of bore wells, considering the water feasibility of a particular area, and supply is being provided accordingly.

3.7 Issues on compliance to the Directives:

56. MESCOM 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, metering of IP sets & BJ/KJ and 100% metering of installations.

RESPONSE OF MESCOM:-

MESCOM is periodically submitting reports to the Commission on the compliance of various directives and is making continuous efforts to comply with the same. MESCOM is regularly educating its consumers and its employees in preventing accidents. January, 2014 was observed as safety awareness month. MESCOM has made efforts to educate consumers by telecasting short films on TV Channels, displaying banners at important locations and educating school children through various programs.

Inspite of geographical constraints, MESCOM is making efforts to reduce the HT/LT ratio. MESCOM has planned to bring technical and commercial losses below 10% by utilizing the available resources to the maximum extent in the ensuing years. MESCOM is making all efforts to reduce the HT/ LT ratio which was 1:2.62 on 30.9.2013. Energy audit is being carried out at feeder level. All efforts are made to reduce technical and commercial losses below 10% by utilizing available resources. Efforts are being made to make the system availability 100% and action is being taken to publish feeder wise, Sub-station wise hours of supply.

The progress of installation of meters to DTCs in MESCOM is 39.24%. About 10347 DTCs in rural area have been provided with meters and MESCOM is committed to provide meters to all DTCs in a phased manner. 1068 DTCs have been metered between November, 2012 and October, 2013.

57. The enumeration of the IP sets and regularisation of unauthorised IP sets have not been taken up seriously by MESCOM.

RESPONSE OF MESCOM:-

MESCOM has not conducted enumeration of IP sets and the figures in the DCB are actual figures of IP sets in MESCOM limits. MESCOM is committed to meter all installations and is making efforts to comply with all the directives, despite constraints like network deficiencies, manpower shortage and crunch in fund availability.

58. The consumer indexing and GPS mapping have not been completed.

RESPONSE OF MESCOM:-

Consumer indexing in RAPDRP towns is completed.

59. MESCOM has not furnished 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 make it optional. It is requested to revise the Time of the Day Tariff as follows:

Time of the Day	Energy Charges
20.00 Hrs to 8. 00 Hrs	- Rs. 1.25 per unit
8. 00 Hrs to 20.00 Hrs	0

It is suggested that a centralized full-fledged service station has to be maintained for rectifying the line faults during nights to reap the benefit of ToD facility.

RESPONSE OF MESCOM:-

MESCOM has requested the Commission to take a view on making ToD optional or compulsory.

60. The progress of NJY is very poor and MESCOM has not quantified the improvements achieved in rural areas after NJY.

RESPONSE OF MESCOM:-

Niranthara Jyothi Yogana is yet to be implemented in MESCOM. The Government of Karnataka vide letter dated 23-08-2013 has directed to submit a detailed report about the viability of replacing the defunct RLMS feeders by Niranthara Jyothi Feeders in MESCOM. Action has been taken to carryout survey of RLMS feeders and to assess the total cost implication with DPR. These details along with the source of finance etc., will be submitted to GoK for a policy decision in the matter.

61. MESCOM has not installed time switches to the street lights even after two years of Commission's directions.

RESPONSE OF MESCOM:-

Installation and maintenance of the street lights is the responsibility of local bodies and MESCOM has addressed letters to the concerned authorities of Local Bodies to install electronic timer switches to the streetlights explaining the benefits available.

3.8 Issues regarding Wheeling and Banking (W&B):

62. REDAK has stated that, the Commission has considered the banking facility as per the W&B order of 2008 and has extended it till 31st March, 2014. Further, as MESCOM has not prayed for any variation in the Wheeling and Banking charges, it has requested the Commission not to alter the W&B charges. It has stated that MESCOM has considered the non-payment of cross subsidy surcharge by captive users as a loss of revenue which is erroneous and extraneous to the scheme of the Electricity Act, 2003. It has alleged that MESCOM has not computed the cross subsidy surcharge in accordance with the Regulations and Tariff policy.

RESPONSE OF MESCOM:-

MESCOM has filed required details in Para No. 8.22 of the filing and also in para No. 2.b (vi) of the reply to the preliminary observations. It has requested to fix Wheeling charges at Commission determined distribution losses / actuals if the distribution network is used. If the distribution network as well as transmission network is used, the Commission determined distribution losses / actuals plus transmission losses are to be paid as Wheeling charges. It has requested to continue the Wheeling charges for wheeling within MESCOM area as determined in Clause 6.6.1 and 6.6.2 of Tariff Order dated 06.05.2013. MESCOM has requested to charge normal Transmission/Wheeling charges to all Open Access transactions including NCE projects by doing away with the existing WBA.

63. The Indian Wind Power Association has stated that the detailed calculations in respect of Wheeling and Banking charges are not clearly mentioned in the tariff petition and the data on the quantum of energy banked during the month, utilized by ESCOMs,

market rate during the time of banking and sale of energy to the consumer and UI rate during the peak and off peak periods are not furnished.

RESPONSE OF MESCOM:-

The elaborate details are furnished in the tariff filing to substantiate the stand on charging normal Transmission/Wheeling charges to all Open Access transactions including NCE projects and have requested to discontinue the concession in Wheeling charges.

64. M/s Doddannavar Global Energy Pvt Ltd., has requested to discontinue 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 alleged that the ESCOMs are claiming the demand charges in the bills as well as factoring in the ARR calculations.

RESPONSE OF MESCOM:-

Cross subsidy surcharge should not be withdrawn as the same was reintroduced after detailed examination, considering the revenue loss to MESCOM. MESCOM has denied collection of demand charges twice.

3.9 Specific requests by Objectors:

65. The South Western Railways has objected the proposed hike in tariff quoting Article 287 of the Constitution of India and as a public utility serving the common person has requested to be exempted from the proposed tariff hike. Railways has stated that, the increase in power tariff may result in hike in railway tariff, and in turn the transportation of coal may also become costlier resulting in higher cost of generation of thermal power. Railways have sought the tariff to be changed to single part from the existing two part tariff. Further, Railways has requested to reduce cross subsidy charges, provide rebate for their proposed electrification projects and residential quarters and incentivise for improving PF above 0.9.

RESPONSE OF MESCOM:

There is an increase in average cost of supply due to increase in power purchase cost and other factors leading to cost burden on the Company and tariff revision is inevitable to fill the gap. The PF incentives as decided by the Commission will be followed by MESCOM.

66. The Canara Chamber of Commerce and Industry and Karnataka Small Industries Association, Mangalore have requested to include the service industries like private workshops which undertake repair and up-gradation of automobile components under LT 5 category (as done for KSRTC workshops).

RESPONSE OF MESCOM:-

MESCOM will follow the classification of consumer categories and levy of tariff charges contained in the orders of the Commission.

67. The Canara Chamber of Commerce and Industry and Karnataka Small Industries Association, Mangalore have requested to increase the ceiling limit of LT connection from 67HP to 100 HP and provide a separate category of tariff for HT supply availed by Small Scale Industries.

RESPONSE OF MESCOM:-

MESCOM will adhere to the orders of the Commission.

68. Dakshina Kannada and Udupi District Advertising Organizations Owners Association, Mangalore has stated that advertisement hoardings of permanent nature were earlier billed under LT3 tariff category (till 2010) and subsequently changed to higher tariff of LT7 category, whereas Malls, Big Bazaar Multiplex, Commercial Complexes, etc which display advertisement boards (hoardings) are continued to be billed under LT3 category. It is requested to include all advertisement entities in LT3 category.

RESPONSE OF MESCOM:-

Advertisement hoardings utilize power between 6 p.m and 10 p.m. when the Company is experiencing peak load. To meet the demand during the peak period MESCOM is procuring high cost power. Hence, it is necessary to bill the Private Advertisement Hoardings under LT 7 category.

69. Karnataka Planters Association, Chikamagalur has stated that the Coffee growers are adversely affected due to high cost of fertilizers, shortage of labour and volatile price of Coffee and any increase in the existing power tariff would worsen their finances. As Coffee Plantations use IP sets for a period of 6 weeks in a year during February and March as back up irrigation, it has requested to consider them as ‘seasonal industry’ and provide tariff concession. It has requested to club LT4 (c) i and ii categories into one category considering the paying capacity of Coffee growers as against the existing method of capacity of pumps used (below 10 HP and above 10 HP).

RESPONSE OF MESCOM:-

MESCOM will abide by the orders of the Commission.

70. KASSIA has requested that the MSME (Micro small and medium enterprises) sector has to be exempted from tariff hike due to universal recession in the sector and erratic power supply condition. Further the energy intensive industries like Foundries, Forging Shops, Steel Mill and Blow Moulding Heat Treatment Shops in Karnataka need reduction in tariff are not able to compete with the neighbouring States due to higher cost of power.

RESPONSE OF MESCOM:-

The Commission is validating the proposal submitted by MESCOM and will view the issue judiciously.

71. The International Society for Krishna Consciousness (ISKCON) has requested that, it may be considered under the Tariff category of LT2a (i) instead of the present HT2b (i) as it is a Religious and Charitable Society, providing mid-day meals to over 13 lakh children in India under the Akshaya Patra Programme.

RESPONSE OF MESCOM:-

Under the existing tariff structure domestic tariff is applicable to all Temples, Mosques, Churches, Gurudwaras, Ashrams, Mutts and religious/Charitable institutions under LT category.

MESCOM has no objection to categorize ISKCON under HT-4 which is a domestic tariff applicable to Residential Apartments under HT category, subject to production of Form 12 A from the Income Tax Department.

72. The Department of Rural Development and Panchayat Raj, GoK has stated that it caters to the water supply requirement at the Grama Panchayat level with a social responsibility and has 216828 bore wells and 40715 minor water supply sources. The Power supply

extended to villages is mostly by single phase and hardly 6 hrs of 3 phase supply is extended and the tariff is uniform as that of urban areas. Without proper metering of water supply and street light installations, the ESCOMs claim electricity charges based on the connected load resulting in higher burden to the Rural Development and Panchayat Raj Department. Hence, it has requested that, the tariff of LT6 may be fixed at Rs. 1.51 per unit (Tariff for IP sets in BESCOM area).

RESPONSE OF MESCOM:-

The water supply installations are charged Rs.3.20 per unit as against the average power purchase cost of Rs.4.92 per unit. The Commission may consider the suggestion of the objector to fix different tariffs for urban and rural water supply installations.

73. M/s. Indus Towers Ltd has stated that it has more than 1,10,000 telecom towers spread over the whole of India with about 9800 towers in Karnataka and the connected load of a typical telecom tower varies from 5 KW to 25 KW per site and is charged at LT3 Commercial tariff. It has requested that the telecom tower connections have to be classified under a separate category under Commercial Tariff with lesser tariff slab owing to social nature of the service rendered to last mile connectivity to the rural consumers in communication.

RESPONSE OF MESCOM:-

MESCOM has applied the tariff to the consumer as per the order of the Commission.

74. M/s. Indus Towers Ltd has further requested to implement the AMR technology to reduce the cost of billing and meter reading and also to improve accuracy of metering.

RESPONSE OF MESCOM:-

MESCOM will explore the possibilities of Automatic Meter Readings.

75. M/s. Indus Towers Ltd has suggested that Open Access facility needs to be provided to the LT level telecom towers so that, the load on the utility is reduced and procurement of expensive power is avoided.

RESPONSE OF MESCOM:-

At present the Regulations do not provide for Open Access at LT Level. MESCOM has requested that, in case such a provision is made in the Regulations by the Commission, the fixed cost of the ESCOMs has to be safeguarded by increasing the Wheeling charges suitably.

76. **Sri D Subramanya Bhat** has suggested to delete Clause -3 of General Terms & Conditions of Tariff which stipulates collection of minimum charges as guarantee for energization of installations.

RESPONSE OF MESCOM:-

The minimum charges are collected in the event of disconnection/non use of the installation to ensure recovery of the fixed cost involved in maintaining power supply and the same is proper.

77. **Sri D Subramanya Bhat** has also suggested to amend the KERC (Electricity Supply Code), 2004 to bring it in consonance with the Electricity (Removal of Difficulties) Order, 2005 which provides that the State Commissions have to specify the method of assessment of the electricity charges payable in case of theft of electricity pending adjudication by the appropriate Court and the measures to prevent unauthorized use of electricity, disconnection, etc.

RESPONSE OF MESCOM:-

The method of assessment of the electricity charges payable in case of theft of electricity is available in Clause 42.06 of Conditions of Supply of Electricity of Distribution Licensees.

78. **Hindustan Petroleum Corporation Limited** has requested for change of tariff from HT2(b) to HT2(a) for terminals at Hassan, Mangalore and Gulbarga.

RESPONSE OF MESCOM:-

MESCOM has stated that, it would abide by the decision of the Commission in this regard.

3.10 COMMISSION's FINDINGS:

The Objectors have raised several issues concerning quality of service, improving the distribution efficiency including reduction of losses, the Commission is of the view that most of these issues are dealt with in the Chapter dealing with Directives and Compliances elsewhere in this Order. Views of the Commission for the issues raised pertaining to Tariff are summarised below:

Sl.No.1 - Regarding objection to tariff hike:

The Commission while determining the tariff, will take into consideration each item of validated revenue requirement including power purchase cost, with reference to MYT Regulations. After determining the actual gap, the Commission will decide on the required tariff revision in respect of each category of consumers based on the gap.

Sl.No.2 – Regarding suggestion to make good the revenue gap by reducing unnecessary expenses, Distribution losses or by receipt of subsidy from GoK.

The Commission has to take into account the revenue gap while determining the tariff and will not insist the State Government to provide subsidy for such gap, except for IP sets and BJ/KJ installations for which the supply is free of cost as per the Policy of the State Government.

Sl.No. 3 – Regarding MESCOM seeking revision of 66 paise per unit in spite of the fact that the Commission has allowed all its expenses.

The Commission determines the tariff based on the gap duly determining each item of revenue requirement as per MYT Regulations.

Sl.No.4 – Regarding receivables from ESCOMS/KPTCL, interest burden on the said amount and payment of interest to KPCL on belated payment.

The Commission, in the successive Tariff Orders has taken a decision not to allow interest on belated payment on power purchase dues to the generators and the same principle is adopted while dealing with the delayed payment charges of Rs.96.40 Crores in this Tariff Order also.

Sl.No.5 - Regarding not making efforts to collect the outstanding arrears from Government, Local Bodies, Street lights & Water Supply Installations and M/s Mysore Paper Mills.

MESCOM is directed to make efforts to collect the outstanding arrears from the Government in respect of dues accumulated pertaining to Local Bodies, Street Lights and Water Supply Installations and also the amount due from M/s. Mysore Paper Mills.

Sl.No. 6 – Regarding uniform tariff hike as sought by all ESCOMs:

The Commission clarifies that the tariff will be fixed based on cost of supply of each ESCOM.

Sl.No. 7 – Regarding estimation of consumption of BJ/KJ and IP sets and claiming huge amount of subsidy from Govt.:

Consumption of BJ/KJ installations is estimated on the basis of average consumption per month as in the previous year. Further, the Government is reimbursing the cost of electricity supplied to this category on the basis of average cost of supply determined by the Commission. Sales estimates to IP sets on the basis of consumption recorded in the meter installed at the Distribution Transformer level is upheld by the Hon'ble APTEL in its Order dated 2nd January 2013 on the Appeal No.108 of 2010. The Commission determines the tariff in respect of IP sets of 10 HP and below on the basis of average cost of supply and the cross subsidy available from other categories and accordingly, the State Government is releasing the subsidy amount.

Sl.No.8 – Regarding non-calculation of expenditure on the basis of Tariff Order of 2013.

The Commission clarifies that MESCOM has calculated the revenue as per the Tariff Order issued on 06.05.2013 and the expenditure is determined on the basis of MYT Regulations. The Commission, while issuing the Tariff Order, will cover the concerns expressed by the Objector on the calculated expenditure.

Sl.No.9 – Regarding inclusion of money spent on employees' bonus, welfare fund and advertisement in the Tariff Petition:

The Commission is approving the O&M cost as per the MYT Regulations and not based on actual cost incurred.

Sl.No. 10 – Regarding Advance against Deprecation:

The objection raised is dealt with in Chapter-4 with regard to Depreciation and Advance against Depreciation.

Sl.No. 11- Regarding Government allotting high cost power to MESCOM and showing discrimination in release of subsidy:

The Commission determines the tariff on the basis of revenue requirement determined for MESCOM including power purchase cost. Government is not showing discrimination in releasing subsidy, and is releasing the subsidy to MESCOM on the basis of Commission Determined Tariff.

Sl.No.12 – Regarding increase in Solar Water Heater rebate:

The Commission, while issuing the Tariff Order, has examined the points raised regarding Solar Water Heater rebate and the views of ESCOMs.

Keeping in view the financial health of ESCOMs, request for increase in the rebate from Rs.50 to Rs.100 is not considered.

Sl.No.13 – Regarding non-filing of Accounts in accordance with the Companies Act, 1956 and direction of Hon'ble APTEL in Appeal No.108 of 2010 is not followed:

The Commission has issued consequential Order on 17.10.2013 directing all ESCOMs in Karnataka to draw up their Annual Accounts in accordance with the Companies Act, 1956 and the Accounting Standard 12 of the Institute of Chartered Accountants, prospectively with effect from the date of Hon'ble ATE's order. This was preceded by instructions of this Commission to all the Electricity Distribution Companies in the State in its letter dated 20.01.2013 directing them to henceforth submit their Annual Accounts as per the provisions of the Companies Act, 1956. Therefore, MESCOM shall submit its accounts in line with the Companies Act, 1956 from the Financial Year 2014 onwards. It is noticed that MESCOM has drawn up its accounts for 2012-13 in accordance with the Companies Act, 1956. However, depreciation in respect of assets created out of Consumer contribution and grants has not been allowed in the ARR of MESCOM or for that matter to any Distribution Companies in the State while revisiting Annual Performance Review for the year 2009-10 onwards.

Sl.No.14 – Regarding objection to spending amount over and above the approved power purchase cost and the request not to pass on the additional power purchase to the Consumers:

The Commission, while reviewing the Annual Performance of MESCOM for FY-13, is required to allow the power purchase cost as per actuals as the power purchase cost is uncontrollable item of expenditure as per MYT Regulation 2.6.3.

Sl.No. 15 – Regarding payment made towards energy purchased from Tata power.

With regard to purchase of power from TATA Power, which was utilized by HESCOM during Assembly Session in December 2012, MESCOM is directed to recover the amount from HESCOM.

Sl.No. 16 – Regarding the cost of power procured by MESCOM from UPCL should not be passed on to consumers as the same has not been approved by the Commission:

The Central Electricity Regulatory Commission has issued orders approving the Tariff for UPCL on 20th February 2014. Accordingly, the Commission takes into consideration the cost of power procured by MESCOM from UPCL in the ARR of MESCOM for FY15, subject to approval of PPA by the Commission.

SL. No.17 – Regarding Compensation paid to Generators pursuant to Order passed by GoK.

The contention of the Objector to pass on the cost of power purchased invoking Section 11 of the Electricity Act, 2003 to Government, is examined. The Commission is of the view that purchases made by MESCOM as per the Government Order issued under Section 11 of Electricity Act, 2003, are in order. The Commission will, as and when required, consider the question of off-setting any adverse financial impact on any Generating Company consequent to the supplies made in compliance of Orders issued under Section 11 of the Act. The power purchase cost incurred by the Licensees is classified as "un-controllable item of expenditure" and thus, has to be passed on to the Consumers, as approved by the Commission.

Sl.No.18 – Regarding the Petition for revision of tariff being not filed by an authorized person of MESCOM:

The Commission notes that, as per Clause 17 of KERC (General and Conduct of Proceedings) Regulations, 2000, a representation or a petition with an affidavit in support of the same made before the Commission by a Licensee through an authorized employee is valid, maintainable and not liable to be rejected. Therefore, the contention of the Objector that, the application has not been filed by an authorized person is not correct. The application filed by the Executive Engineer, Regulatory Affairs, Corporate Office, MESCOM is accepted by this Commission.

Sl. No.19 - Regarding request for regulating Cross subsidy and subsidy as per National Electricity Policy and Electricity Act, 2003:

The contention raised with regard to cross subsidy and calculation of subsidy as per the National Electricity Policy and Electricity Act, 2003, it is clarified that, the Commission has been determining the retail supply tariff on the basis of the average cost of supply. The Commission decides to continue with the existing method of determining retail supply tariff on the basis of average cost of supply.

Sl.No.20 - Regarding the delay in filing Tariff Petition:

The Commission notes that MESCOM has not filed the tariff petition for FY-15 on 30th November 2013. However, MESCOM has filed its petition for tariff revision for FY-15 on 13th December 2013 within the time limit extended by the Commission. The Commission relies on the observation made by the Hon'ble Appellate Tribunal for Electricity (ATE), in the Case reported in 2010 ELR (APTEL) 0175 that "if the 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 revenue recoverable for the period of delay". In the present case, the revenue requirement sought is from 1st April 2014 and therefore, the time taken by MESCOM for filing the application will not adversely affect the consumers' interest.

Sl.No.21 – Regarding transfer of efficiency gains to consumers:

The Commission has discussed this point at the time of determining incentive/rebate in Chapter-4 of this Order.

Sl.No.22 – Regarding the objection raised for not adopting "Cost to Serve" and fixing the Tariff with +/- 20% of the "Cost to Serve":

The Tariff Policy states that tariff should be within the range of +/- 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 +/- 20% has to be achieved in a phased manner which, otherwise may lead to tariff shocks to some of the Consumers.

The distribution network of Karnataka is such that, it is difficult to segregate the common cost between voltage levels. However, average cost is determined by the Commission in the Tariff Order.

Sl.No.23 – Regarding the objection that the Fixed Charge of Rs.5 has been increased in the last tariff revision by the Commission without any request from the ESCOMs and that the same needs to be withdrawn:

The Commission has not increased the Fixed Charge by Rs.5 in the last tariff revision.

Sl.No.24 – Regarding capital investment made on the assets which have not been put into use for several years should not be passed on to the consumer:

The Commission is of the view that depreciation on the assets which have not put into use should not be allowed in ARR. Accordingly, MESCOM is directed not to claim depreciation on the assets which have not been put into use. The Commission has disallowed the depreciation and the interest on the investment made on assets which are not meeting the requirement of prudency.

Sl. No. 25 - Regarding recovery of actual cost of supply to IP sets by way of subsidy from GoK:

The estimated consumption of BJ/KJ Installations is only on the basis of Compound Annual Growth rate of the past 3 years or 5 years, whichever is higher. As far as BJ/KJ Installations are concerned, the same is determined at the average cost of supply. Sales estimates to IP sets on the basis of consumption recorded in the meter installed at the Distribution Transformer level is upheld by the Hon'ble APTEL in its Order dated 2nd January 2013 on the Appeal No.108 of 2010. The Commission determines the tariff in respect of IP sets of 10 HP and below on the basis of average cost of supply and the cross subsidy available from other categories and accordingly, the State Government is releasing the subsidy amount.

Sl.No.26 – Regarding treating Consumer Deposits as Capital Assets:

The Security Deposit to the extent of Rs.49.03 Crores was capitalized by MESCOM as per Government directions. During the hearing of the petition on this issue before the ATE's, it was submitted before the Hon'ble APTEL that MESCOM is regularly paying interest on the Consumers' deposits despite capitalization of the Security Deposit. In view of this, the Hon'ble APTEL has held that the issue has become infructuous and therefore, this issue has been resolved vide Hon'ble APTEL Order dated 2nd January, 2013 in Appeal No.108 of 2010.

Sl.No.27 - Regarding interest levied on IP sets arrears:

The Commission is of the view that interest levied on the IP set arrears which have been paid by the farmers before the commencement of One Time Settlement Scheme has to be dealt with in accordance with the provisions of the scheme.

Sl.No.28 – Regarding Fringe Benefit Tax:

The Commission clarifies that, the Fringe Benefit Tax is required to be allowed as the same is incurred by the MESCOM.

Sl.No.29 – Regarding transmission losses included in the ERC of MESCOM as well as in the ERC of KPTCL:

The transmission losses have to be accounted in ARR of MESCOM, as both transmission and distribution losses have to be recovered from sales made to all categories of consumers. Further, KPTCL is not recovering the transmission losses on the energy delivered at inter-face points, but claiming its transmission charges on contracted transmission capacity.

Sl.No.30: Regarding suggestion to scrutinize the correctness of the expenses incurred by the licensee and conducting prudence check.

The Commission while determining the tariff, scrutinizes the revenue expenditure with reference to Tariff Regulations 2000, MYT Regulations 2006 and the amendments issued thereon. Thus, the Commission is scrutinizing the expenditure incurred by the Licensees. As regards to Capital Expenditure, the Commission is conducting prudence check.

Sl.No.31 – Regarding request for extending solar rebate to all LT-2 Consumers:

Solar rebate is extended only to LT2 consumers who have installed Solar Water Heaters and the Commission decides to continue the same.

Sl.No.32 – Regarding allocation of power to ESCOMs by the Government:

It is observed that the State Government is allocating the power among ESCOMs based on the availability and requirement, the Consumer profile and other factors of each ESCOM and the Commission is taking note of the same while determining the tariff. Therefore, while passing the present Tariff Order also, the Commission decides to go by the allocation of power made by the State Government.

Sl.No.33 – Regarding suggestion to increase the tariff based on the quantum of consumption of power:

The Commission will decide the required increase in tariff for all categories based on the gap determined taking into consideration the revenue requirement for FY-15 and the existing revenue.

Sl.No.34 – Regarding suggestion made to utilize low cost power from Hydel and Thermal sources at optimal level and to improve PLF of KPC thermal plants:

The Commission has suggested to the Government to improve Plant Load Factor of KPC Thermal Plants and enter into long-term contract for procurement of power so as to reduce the cost on account of purchasing power on short-term basis at high cost.

Sl.No.35 – Regarding MESCOM not objecting to the tariff proposal of KPTCL:

The Commission is of the view that MESCOM cannot be compelled to file objections to the tariff proposal of KPTCL.

Sl.Nos.36 & 37 – Regarding shortage of staff and the consequential inability to provide quality service to customers and objection that even though MESCOM has added transformers and lines to its network, the quality of power supply and reliability have not improved:

MESCOM, during public hearing, has stated that it is recruiting line-men. However, MESCOM has to take adequate measures to improve the quality and reliability of power supply.

Sl.No. 38 – Regarding failure to control theft/ pilferage of electricity resulting in high distribution losses:

MESCOM should control theft and pilferage of electricity wherever distribution losses at the Feeder and Transformer levels exceed the losses viz. for Feeders at 10% and Transformers at 5%.

Sl.No.39 – Regarding insisting the consumers to purchase meters on their own, against the provisions of Electricity Act, 2003:

The Commission clarifies that, at the time of servicing the installations either the consumer has to pay the cost of the meter in case the meter is installed by the Licensee or insist the consumers to purchase the meters on their own. In both the cases, the cost of the meter should be treated as Meter Security Deposit and interest on such deposit should be paid by the Licensee.

Sl.No.40 – Regarding providing toll free telephone facility.

This is dealt in the appendix to the Tariff Order.

Sl.No.41 – Regarding suggestion to educate the consumers about vigilance activities:

MESCOM is directed to take timely action to address the grievances/complaints of consumers and to utilize the amount earmarked for consumer education.

Sl.No. 46 – Regarding objection that MESCOM should have taken approval of the Commission for load shedding:

MESCOM is directed to avoid unscheduled interruptions which will cause undue inconvenience to the consumers. But, it is also a fact that the ESCOMs are resorting to unscheduled load shedding, only when it is inevitable, in order to balance the power supply. Given the power supply position, it may not be possible to completely avoid load shedding.

Sl.No. 47 – Regarding providing independent feeders to the industries to reduce the interruptions:

MESCOM is directed to examine providing independent Feeders for the Industries to reduce interruption by considering the techno economic feasibility and increase the pace of NJY works.

Sl.No. 48 – Regarding implementation of pre-paid meters as per Section 57(5) of Electricity Act, 2003:

The Commission has directed MESCOM to introduce pre-paid meters as per the provisions of **Conditions of Supply of Electricity and Distribution by Licensees in the State of Karnataka.**

Sl.No. 49 – MESCOM has not furnished the details of quantum of free electricity supplied to its employees and the electricity used in the Sub-stations and offices:

MESCOM has furnished the details in its reply.

Sl.No.50 –MESCOM has failed to provide infrastructure to unauthorized IP sets of farmers, who have paid the amount for regularization:

MESCOM is directed to provide infrastructure for the remaining 12781 IP sets.

Sl.No. 53 – Regarding suggestion that MESCOM should incentivize the consumers for prompt payments and allow payments through electronic money transfer:

The Commission has taken note of the suggestion.

Sl.No. 59 – MESCOM has not furnished details as to whether the peak load has reduced after the implementation of the ToD Tariff:

Time of Day Tariff is recognized globally as an important Demand Side Management (DSM) measure which is used as a means of incentivizing consumers to shift a portion of their loads from peak times to off-peak times, thereby improving the system load factor by reducing the demand on the system during peak period.

ToD has been made compulsory in respect of HT installations having 500 KV and above under HT2(a), HT2(b) and HT2(c). There is need to conduct periodic load research study to understand the effectiveness of the ToD tariff and use of advanced communication technologies for metering shall be the driving force behind proper deployment and enhancing penetration of ToD programs in the near future. The Commission will review the effect of ToD implementation on peak load and decide separately.

Sl.No.62,63 & 64 – Regarding the points raised by REDAK , IWPA & DGEPL on Wheeling & Banking, proposal of collecting Wheeling charges, not making specific prayer about Cross subsidy and discontinuance of Cross subsidy levied on Wind Projects:

The Commission vide Order No. V/03/9 dated 24.4.2014 has extended the validity of the Order No. V/01/1 dated 11.7.2008 in the matter of Wheeling and Banking Agreement for a further period up to 30.6.2014 or till the issue of revised Order in the matter. As such, the issues raised by the Stake-holder would be taken up while revising the said Order.

As far as Captive Generators opting for participation in REC mechanism the Order dated 9.10.2013 continues.

With regard to the contention of the Stake-holder that demand charges are levied twice is not correct. The tariff determined for cross subsidizing categories consists of the average cost of supply plus the cross subsidy component. The average cost of supply in the tariff has a fixed component (which includes Transmission and Distribution net-work cost) and a variable component, which is mainly the variable cost of power purchase. Similarly, while calculating the cross subsidy surcharge, the components considered are the power purchase cost at 5% margin grossed up by relevant voltage level losses plus transmission net-work cost and the distribution net-work cost of the relevant voltage level. As per the formula specified in the Regulations, the cross subsidy surcharge is calculated as the difference of the average realization rate for the relevant category and the cost of supply considering the 5% marginal cost. As such, while taking the difference, the fixed cost in the realization rate gets annulled with the fixed cost of net-work cost. Thus, the cross subsidy surcharge does not include the fixed charges. Therefore, the contention of the Stake-holder is not correct.

The Wheeling charges, Banking charges and the Cross subsidy are discussed in Chapter-6 of this Order.

Sl.Nos.65 – Exempting Railways from the proposed tariff hike and other objections:

The Commission, at the time of determining tariff hike, takes into consideration factors like, socio-economic conditions, paying capacity of the consumers and all other norms and factors while deciding tariff increase to Railways. The entire tariff design is based on two part tariff i.e. fixed charges and energy charges to recover fixed and variable costs of the ESCOMs. Regarding reduction of cross subsidy, the Commission will take into consideration the request at the time of determination of tariff. However, energy consumed by such loads at single points is being billed at HT4 tariff schedule and no reduction in demand recorded in the main HT meters is allowed. As regards demand for incentives of power factor bonus, the Commission rejects the proposal as maintenance of .90 or above power factor helps the Railways in terms of lesser demand charges and reducing losses. The issue of grant of power factor bonus had also come before the Hon'ble High Court of Karnataka in the Case reported in (1993) I KLJ 160. The Hon'ble High Court after considering the arguments advanced in support of grant of bonus rejected the same for the reason that there is no justification to grant the bonus. This has been upheld by the Division Bench in Writ Appeal No.189/83.

Sl. No.68 - Regarding the Objector's request to include all advertisement entities in LT3 category:

The Commission will consider the points raised by this Objector and pass appropriate Orders.

Sl.No.69 - Regarding the objections raised by the Karnataka Planters Association, Chickmagalur:

Demand for including Coffee Plantations in LT4 is not justified as LT4 (a) applies only to agricultural pump sets. The Commission has already clarified the same in the previous Tariff Orders. Average electricity consumption by IP sets used by coffee growers is a small quantity when compared to the consumption of IP sets used for agriculture. The tariff fixed for this category also being very low. Cost of electricity is within 1% of the coffee growers total cost as submitted by Kodagu District Small Growers Association in the last tariff determination and therefore, the Commission is of the view that the demand for merging Coffee Plantations under LT4 (a) category is not justified.

Planters have also represented for extension of seasonal industry benefits and to provide tariff concession. The Commission is of the view that seasonal industry benefits can be extended only to industrial consumers on the basis of Government Order declaring them as seasonal industry. Coffee plantations do not fall under the category of industry and they are not charged at industrial tariff. The tariff to this category is much below the cost of supply and therefore the Commission is not able to extend seasonal industry benefit to plantation crops.

Sl.No.70 – Industries like Foundries, Forging Shops, Steel Mills and Blow Moulding Heat Treatment Shops in Karnataka are not 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 for LT5 categories.

Sl.No.71 – Regarding the points raised by the International Society for Krishna Consciousness to consider under Tariff category of HT-2c(i) as it is a Religious and Charitable Society:

MESCOM is directed to examine in detail the points raised by the Objector. MESCOM should also explore the possibility of bifurcating the load pertaining to commercial nature and others and apply appropriate tariff.

Sl.No.72 – Regarding the points raised by the Dept. of Rural Development & Panchayat Raj, to fix IP set rate of BESCOM to Water supply and Street Light installations, and non-metering of water supply and street light installations and wrong billing:

The Government is advised to help ESCOMs recover arrears due from Grama Panchayats and other Local and Urban Bodies. MESCOM is directed to look into the issues raised by the Objector and to resolve issues regarding non-metering of water and street light installations and wrong billing. MESCOM is also directed to increase the pace of implementation of NJY programme to improve the power supply in rural areas. The rate of Rs.1.51 / unit sought for water supply and street light installations cannot be applied as it is very much below the cost of supply and would increase the burden on the paying category of consumers.

Sl.Nos. 73, 74 & 75 – Telecom tower connections to be classified under separate category, implementation of AMR technology and allowing Open Access:

The Commission clarifies that all communication activities are considered as commercial category and are billed under LT3 Tariff.

MESCOM has agreed to implement AMR technology for meter reading and billing of communication tower pertaining to this objector. The Commission has issued Terms and Conditions of Open Access Regulations, where it has specified phase wise implementation of Open Access. At present, it is introduced for all HT consumers with Contract Demand of 1 MW and above. Hence, it is not possible to extend open access to Low Tension level telecom towers for the present.

Sl.No. 76 – Regarding suggestion to delete clause-3 of General Terms & Conditions of Tariff which stipulates collection of minimum charges as guarantee for energization of installations:

The Commission is of the view that minimum charges are required to be collected as per Clause 3 of General Terms and Conditions of Tariff as indicated in the tariff in force from time to time. The Licensee cannot bind itself to energize any installation unless the consumer guarantees the minimum charges. The Licensees have to incur certain minimum fixed cost irrespective of sales and also to earn return on the investment made to create infrastructure to provide electricity supply.

Sl.No.77 – Regarding suggestion to amend the KERC (Electricity Supply Code), 2004:

With regard to the suggestion to amend the KERC (Electricity Supply Code), 2004 to bring it in consonance with the Electricity (Removal of Difficulties) Order, 2005, the Commission is of the view that, as assessment of electricity charges payable in case of theft of electricity, is adequately provided for in the Regulations, there is no need to amend the KERC (Electricity Supply Code), 2004 in this respect.

Sl.No.78 – Regarding request of M/s Hindustan Petroleum Corporation Limited for change of tariff from HT2(b) commercial to HT2(a) industrial to its terminal at Hassan, Mangalore and Gulbarga:

MESCOM is directed to examine in detail the points raised with regard to change in tariff. However, MESCOM shall also explore the possibility of applying industrial tariff to HPCL pumping operation and commercial tariff for storage and other activities.

CHAPTER – 4

ANNUAL PERFORMANCE REVIEW FOR FY13

4.0 *MESCOM's Application for APR for FY13:*

In its application dated 13th December, 2013, MESCOM has sought approval of Annual Performance Review (APR) for FY13 based on the Audited Accounts for the year.

The Commission in its letter dated 31st December, 2013 had communicated its preliminary observations. MESCOM in its letter dated 6th January, 2014 has replied to the preliminary observations of the Commission.

The Commission in its Multi Year Tariff Order dated 7th December, 2010, had approved MESCOM's Annual Revenue Requirement (ARR) for FY11 – FY13. Further, in its Tariff Order dated 30th April 2012, the Commission has approved the APR for FY11 and had revised the ARR for FY13 along with Retail Supply Tariff for FY13.

The Annual Performance Review for FY13 based on the Company's Audited Accounts is discussed in this Chapter.

4.1 MESCOM's Submission:

MESCOM has submitted its proposals for revision of ARR for FY13 based on the Audited Accounts as follows:

TABLE – 4.1
ARR for FY13 – MESCOM's Submission

Amount in Rs.Crs.

Sl. No	Particulars	As Filed
1	Energy at Gen Bus in MU	4474
2	Energy at Interface in MU	4280
3	Distribution Losses in %	11.88%
	Sales in MU	
4	Sales to other than IP & BJ/KJ	2696
5	Sales to IP & BJ/KJ	1076
	Total Sales	**3772**
	Revenue	
6	Revenue from tariff and Misc Charges	1406.18
7	Tariff Subsidy	342.53
	Total Revenue	**1748.71**
	Expenditure	
8	Power Purchase Cost	1378.27
9	Transmission charges of KPTCL	158.89
10	SLDC Charges	0.25
	Power Purchase Cost including cost of transmission	**1537.41**
11	Employee Cost	208.55
12	Repairs & Maintenance	15.12
13	Admin & General Expenses	36.40
	Total O&M Expenses	**260.07**
14	Depreciation	50.84
	Interest & Finance charges	
15	Interest on Loans	45.76
16	Interest on Working capital	28.19
17	Interest on belated payment on PP Cost	0
18	Interest on consumer deposits	30.26
19	Other Interest & Finance charges	2.85
20	Less interest capitalized	2.07
	Total Interest & Finance charges	104.99
21	Other Debits	4.19
22	Net Prior Period Debit/Credit	-11.93
23	Return on Equity	45.00
24	Provision for taxation	1.73
25	Funds towards Consumer Relations/Consumer Education	0.05
26	Other Income	25.32
27	Extraordinary Item	-78.43
	ARR	**1888.60**
	Deficit	**-139.89**
28	Regulatory asset for FY13	-200.63
	Net ARR with deficit carried forward	**2089.23**

Considering the revenue of Rs.1748.71 Crores against the net ARR of Rs.2089.23 Crores, MESCOM has reported a gap in revenue of Rs.340.52 Crores for FY13.

4.2 MESCOM's Financial Performance as per Audited Accounts for FY13:

An overview of the financial performance of MESCOM for FY13 as per their Audited Accounts is given below:

TABLE – 4.2

Financial Performance of MESCOM for FY13

Amount in Rs.Crs.

Sl. No	Particulars	As per Audited Accounts
	Receipts	
1	Revenue from tariff and misc. Charges	1574.75
2	Tariff Subsidy	342.88
3	**Total Existing Revenue**	**1917.63**
	Expenditure	
4	Power Purchase Cost	1378.34
5	Transmission charges of KPTCL	158.89
6	SLDC Charges	0.20
7	**Power Purchase Cost including cost of transmission**	**1537.43**
8	O&M Expenses	260.07
9	Depreciation	51.10
	Interest & Finance charges	
10	Interest on Loans	45.76
11	Interest on Working capital	9.39
12	Interest on belated payment on PP Cost	96.41
13	Interest on consumer deposits	30.27
14	Other Interest & Finance charges	2.85
15	Less interest and other expenses capitalized	2.07
16	**Total Interest & Finance charges**	**182.60**
17	Other Debits	3.98
18	Net Prior Period Debit/Credit	-28.12
19	Income tax & MAT credit	-6.64
20	Exceptional item (Depreciation written back)	-70.06
21	Other Income	25.32
22	**Total Expenditure**	**1905.04**

As per the Audited Accounts, MESCOM has earned a profit of Rs.12.59 Crores for FY13. The profits reported by MESCOM in its audited accounts in the previous years are as follows:

Particulars	Amount in Rs.Crs
Net Profit as at the end of FY10	50.73
Profit earned in FY11	1.70
Profit earned in FY12	6.41
Profit earned in FY13	12.60
Accumulated Profit as at the end of FY13	**71.44**

As reflected in the Balance Sheet for FY13, considering earnings of the Company in the previous years, the accumulated profit amounts to Rs.71.44 Crores.

Commission's analysis and decisions:

The Annual Performance Review for FY13 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 30th April, 2012. The item wise review of expenditure and the decisions of the Commission thereon are as discussed in the following paragraphs:

i) Sales for FY13:

The Commission in its Tariff Order dated 30th April, 2012 had approved total sales to various consumer categories at 3855 MU for FY13 as against sales of 3836 MU projected by MESCOM. The actual sales of MESCOM as per the current filing were 3733 MU (excluding KPCL colony consumption of 38.72 MU) indicating a shortfall in sales to the extent of 122 MU with respect to the approved sales.

It is noted that, as against the approved sales of 2923 MUs to categories other than BJ/KJ and IP sets, the actual sales achieved by MESCOM is only 2658 MUs, resulting in a shortfall of sales to these categories by 266 MU. It is noted that MESCOM had proposed a growth rate of 11% to the categories other than BJ/KJ and IP sets. The actual sales to categories other than BJ/KJ and IP sets increased by 8% as against the approved growth of 12%. On the other hand, the sales to BJ/KJ and IP categories has exceeded the approved sales of 932 MU by 144 MU.

The category wise sales approved by the Commission and the actuals for FY13 are indicated in the table below:

TABLE – 4.3

Category wise Approved and Actual sales – FY13

Figures in MU

Category	Approved MU	Actuals MU	Approved-Actuals
LT-2a	1117.79	1084.03	33.76
LT-2b	10.3	9.47	0.83
LT-3	308.28	271.44	36.84
LT-4b	1.96	1.08	0.88
LT-4c	9.18	6.5	2.68
LT-5	151.60	130.99	20.61
LT-6	99.28	97.46	1.82
LT-6	63.78	57.49	6.29
LT-7	24.99	27.22	-2.33
HT-1	101.04	77.44	23.3
HT-2a	771.77	628.48	143.29
HT-2b	239.34	225.81	13.53
HT-3a & b	1.44	19.4	-17.96
HT-4	22.82	17.09	5.73
HT-5	0	3.42	-3.42
Sub total	**2923.57**	**2657.62**	**265.95**
BJ/KJ	30.58	15.33	15.25
IP	900.63	1060.21	-159.58
Sub total	**931.21**	**1075.54**	**-144.33**
Grand total	**3854.78**	**3733.16**	**121.62**

As against the power purchase quantum of 4561 MU approved for MESCOM in FY13, the actual procurement was 4474 MU during the year.

The Commission notes that even though the overall energy availability was lower than the approved quantum by only 87 MU, there is disproportionate shortfall in supply to the metered category to an extent of 266 MU. Thus within the available energy, MESCOM has not maintained the sales mix as projected by them and as approved by the Commission. MESCOM has not been able to increase consumption in the metered category of consumers to the extent proposed by it while the consumption by unmetered categories has exceeded the projections.

The specific consumption of IP Sets approved by the Commission for FY13 was 3916 units / installation / annum, whereas the actual specific consumption arrived at on the basis of the consumption reported by MESCOM works out to 4640 units / installation / annum which indicates a higher consumption of 724 units / installation / annum. The sales quantity approved by the Commission for FY13 was 900.63 MU and the actual consumption was 1060.21 MU. Thus, the quantum of sales to IP Sets category has exceeded by 159.58 MU in FY13.

The Commission had raised the issue of increase in specific consumption and sales to the IP Sets category with MESCOM in its preliminary observations and sought clarifications from MESCOM. MESCOM, while replying to the preliminary observations has requested the Commission to approve the sales as reflected in the books of accounts of MESCOM.

It is observed that the reason for increase in total consumption as well as the specific consumption is perhaps the extra hours of power supply to IP Sets consumers by MESCOM. In view of substantial metering of IP sets in MESCOM area unlike in other ESCOMs, MESCOM needs to furnish data on supply to IP Sets only on the basis of meter readings instead of assessing the consumption on the basis of meters fixed to DTCs predominantly feeding IP Sets. Henceforth, MESCOM shall consider the actual readings of IP Sets wherever metering has been completed and report the actual consumption of IP Sets on the basis of data from IP Set meters every month to the Commission as this would be a more accurate measure of IP set power consumption.

For the present, in the absence of 100 per cent metered data of IP Sets, the Commission decides to accept the sales to IP Sets for FY13 as 1060.21 MU as furnished by MESCOM.

In the light of the above discussion the Commission approves the actual sales of 3733.16 MU for FY13

ii) Distribution Losses for FY13:

MESCOM's Submission:

The Commission had approved distribution loss for FY13 as shown in the table below:

Range	FY13
Upper limit	12.25%
Average	**12.00%**
Lower Limit	11.75%

MESCOM has reported distribution losses of 11.88% in its annual accounts.

1	Energy at Interface Points in MU	4280
2	Total sales in MU	3772
3	Distribution losses as a percentage of input energy at IF points	11.88

Commission's analysis and decisions:

The distribution loss of 11.88% reported by MESCOM is within the range of distribution loss approved by the Commission for FY13. Hence MESCOM is not entitled / liable for any incentive / penalty for FY13.

iii) Power Purchase for FY13:

On a review of the actual power purchase by all the ESCOMs in the State for FY13, the Commission notes that:

i. The actual energy procured during FY13 was 57056.19 MU as against the approved quantum of 60638 MU. The shortfall is 3582 MU.

ii. The Commission in its Tariff Order dated 30th April 2012, had approved 48.13% of the total procurement from the Hydro and Thermal sources of KPCL. However, as per the actuals, the KPCL energy amounted to only 39.05%

iii. As against the targeted quantum of 29187 MU, KPCL has supplied only 22278 MU resulting in a shortfall to an extent of 6908 MU. The shortfall in hydel generation is 1961 MU and that in KPCL Thermal sources is 4947 MU. The actual per unit cost of KPCL thermal energy is Rs.3.72/unit as against the approved rate of Rs.2.88/unit for FY13, an increase of Rs.0.84/unit. This is mainly on account of the fixed cost component being spread over a lower quantum of generation resulting in a higher per unit cost of generation for FY13due to shortfall in thermal generation of KPCL.

iv. Due to the short fall in the supply of energy from KPCL, ESCOMs had to resort to purchase of a higher proportion of their energy from Short term/Medium term sources to meet the demand. As against an approved quantum of 8710 MU out of 60638 MU as approved (14.36%), the actual power procurement from these sources was 11042 MU out of 57056.19 MU (19.36%), an increase of 2332 MU.

v. On analyzing power purchase from sources other than KPCL Sources, it is observed that as against an approved quantum of 31451 MU the ESCOMs have procured 34778 MU, an increase of 3327 MU. This additional procurement is made at an average cost of Rs.4.39 / unit.

vi. Further, owing to the reduced availability of energy even after resorting to short/medium term purchases, ESCOMs have ended up with lower sales for FY13. This change in matrix of source wise supply procured by all ESCOMs taken together has resulted in average power purchase cost of Rs.3.59 per KWh as against Rs.3.20 per KWh as approved, an increase of 0.39 paise per unit. The approved and actual source wise supply and corresponding overall cost of power purchase by ESCOMs is indicated in the following table:

TABLE - 4.4

ESCOM's Source wise Power Purchase for FY-13

Sl.No.	Source of Power	Approved			Actuals		
		Quantum in MU	Cost Rs.in Crs.	Average Cost in Rs./KWh	Quantum in MU	Cost Rs.in Crs.	Average Cost in Rs./KWh
1	KPCL Hydel	11824.56	664.26	0.56	9863.77	606.75	0.62
2	KPCL Thermal	17362.21	4995.44	2.88	12414.69	4615.96	3.72
3	CGS	11404.72	3435.68	3.01	11459.01	3104.35	2.71
4	IPP Major	5639.22	2112.60	3.75	6015.09	2540.28	4.22
5	NCE & IPP Minor	5425.05	1910.23	3.52	5528.84	1900.58	3.44
6	Short term / Medium term	8710.33	3881.09	4.46	10827.50	5028.91	4.64
7	Others	272.01	59.09	2.17	952.75	413.36	4.34
8	Transmission	0.00	2360.06	0.39		2278.32	0.40
9	**Total**	**60638.10**	**19418.46**	**3.20**	**57056.19**	**20488.51**	**3.59**

vii. In the Tariff order dated 30th April 2012, the Commission had approved the source wise quantum and cost of power purchase for FY13. In its tariff application, MESCOM has submitted power purchase data in D1 format and in the Audited Accounts for FY13. A comparison of the actual power purchase cost against the source wise approved cost for MESCOM for FY13 is shown in the following table:

TABLE – 4.5

MESCOM's Source wise Power Purchase for FY-13

Sl.No.	Source of Power	Approved			Actuals		
		Quantum in MU	Cost Rs.in Crs.	Average Cost in Rs./KWh	Quantum in MU	Cost Rs.in Crs.	Average Cost in Rs./KWh
1	KPCL Hydel	1055.30	65.28	0.62	889.43	52.10	0.59
2	KPCL Thermal	1408.96	370.09	2.63	1059.86	427.87	4.04
3	CGS	950.01	286.19	3.01	980.53	275.67	2.81
4	IPP Major	450.75	168.85	3.75	508.79	210.57	4.14
5	NCE & IPP Minor	496.74	163.80	3.30	627.82	212.38	3.38
6	Short term / Medium term	176.82	79.12	4.47	638.54	282.80	4.43
7	Others	22.66	4.92	2.17	-230.82	-82.87	3.59
8	Transmission	0	196.59	0.43		158.89	0.36
9	**Total**	**4561.24**	**1334.84**	**2.93**	**4474.15**	**1537.41**	**3.44**

viii. The actual procurement of energy for FY13 was 4474.15 MU as against the approved quantum of 4561.24 MU. However MESCOM could achieve sales of 3733.16 MU only, against the approved quantum of 3854.78 MU. The reduction in supply as indicated above has resulted in reduced overall sales of MESCOM by 121.62 MU.

ix. KPCL Hydel supply to MESCOM has come down to 889.43 MU from the approved quantum of 1055.30 MU and KPCL Thermal power has come down to 1059.86 MU from the approved quantum of 1408.96 MU. The reduction in KPCL generation has resulted in MESCOM procuring more power from other comparatively costlier sources, resulting in increase in overall power purchase cost by 51 paise per unit.

The Commission having recognized the above facts, decides to consider the actual power purchase by MESCOM of 4474.15 MU costing Rs. 1537.41 Crores for FY13 for the purpose of APR. Regarding the RPO compliance by MESCOM the same will be dealt separately by the Commission.

iv) Operation and Maintenance Expenses:

MESCOM's Submission:

MESCOM has sought approval of O&M expenditure of Rs.260.07 Crores for FY13 as follows:

TABLE – 4.6

O&M Expenses - MESCOM's submission

Amount In Rs.Crs.

Repairs and Maintenance	15.12
Employee Costs	208.55
Administrative and General expenses	36.40
O&M expenses	**260.07**

Commission's analysis and decisions:

The Commission had approved O&M expenses for FY13 considering the actual O&M expenses of FY10 (base year for control period FY11-13), 3 year CAGR of growth in the number of installations and the rate of inflation as notified by CERC. The approved O&M expenses were as follows:

TABLE – 4.7

Approved O&M Expenses as per Tariff Order dated 30.04.2012

Amount in Rs.Crs.

Particulars	FY13
No. of installations as per actuals as per Audited Accts	1904553
Weighted Inflation Index	5.17%
CGI based on 3 Year CAGR	3.71%
Normative O&M expenses for FY12	198.80
O&M Index= 0&M (t-1)*(1+WII+CGI-X)	214.47

Additional O&M expenses (uncontrollable)	40.90
Total Approved O&M Expenses for FY13	**255.37**

The Commission in its earlier orders on APR of FY11 and FY12 under the second control period of FY11 - 13, has considered the rate of inflation as determined by CERC from time to time. Further, the Commission has also 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. FY13 being the last year of the second control period, the Commission decides to retain the same methodology for APR of FY13 as followed in APR of FY11 and FY12.

Thus, the normative O & M expenses for FY13 will be as follows:

TABLE – 4.8

Allowable Normative O&M Expenses-FY13

Particulars	FY13
No. of installations as per actuals as per Audited Accts	1925317
Weighted Inflation Index	5.93%
Consumer Growth Index (CGI) based on 3 Year CAGR	5.18%
Normative O & M expenses for FY12 – Rs.Crs.	176.89
O&M Index= 0&M (t-1)*(1+WII+CGI-X) – Rs.Crs.	**194.78**

The above normative O & M expenses have been computed without considering the revision of pay and contribution to Pension and Gratuity Trust. MESCOM was requested to furnish data on additional employee costs on account of the above factors. MESCOM in its replies to the preliminary observations has sought actual expenses of Rs.260.07 Crores to be allowed as O&M Expenses for FY13.

Considering the request of MESCOM 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 FY13 as follows:

TABLE – 4.9

Approved Uncontrollable O & M Expenses

Amount in Rs. Crs.

Particulars	FY13
Basic salary @ 3% increase from FY10	65.41
Increase in pay @ 25%	16.35
DA @ 76.75%	12.55
HRA on increase in pay	1.08
Increase in HRA due to Revision	0.71
Total Increase in Pay due to revision of pay from 01.04.2010	**30.69**
P&G Contribution for FY13 as per AA 13	42.57
Total Uncontrollable O&M Expenses -FY13	**73.26**

Thus, the allowable O & M expenses for FY13 will be as follows:

TABLE – 4.10

Allowable O & M Expenses for FY13

Amount in Rs. Crs.

Sl. No.	Particulars	FY13
1	Normative O & M expenses	194.78
2	Additional employee cost (uncontrollable O & M expenses)	73.26
3	**Allowable O & M expenses for FY13**	**268.04**

Since the actual O & M expenses is Rs.260.07 Crores is less than the O & M expenses as computed above, the Commission decides to allow the actual O & M expenses of Rs.260.07 Crores for FY13.

v) Depreciation:

MESCOM's Submission:

MESCOM has claimed an amount of Rs.50.84 Crores which is worked out as per annual accounts after deducting an amount of Rs.16.92 Crores towards depreciation withdrawn on account of contributions / subsidies as per Accounting Standard (AS) – 12.

MESCOM has requested the Commission to allow a depreciation amount of Rs.50.84 Crores for FY13.

Commission's analysis and decisions:

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 1st February, 2012. Considering the opening and closing gross blocks of fixed assets for FY13 and the actual depreciation as per annual accounts, the weighted average rate of depreciation works out to 4.73%. The computation of depreciation based on the data as per the audited accounts is as follows:-

TABLE – 4.11

Allowable depreciation for FY13

Amount in Rs.Crs.

Particulars	FY13			
	Closing Balance of Asset as on 31.03.2012	Depcn	Rate of Depcn	Closing Balance of Asset as on 31.03.2013
Buildings	23.16	0.79	3.15%	26.85
Civil	1.94	0.10	5.27%	2.03
Other Civil	0.43	0.02	3.51%	0.43
Plant & M/c	218.98	11.99	5.14%	247.31
Line, Cable Network	1118.61	54.92	4.69%	1222.58
Metering Equipment		0.00		
Vehicles	3.53	0.05	1.55%	3.47
Furniture	2.52	0.12	4.70%	2.79
Office Equipments	0.81	0.02	2.97%	0.84
Total	**1369.98**	**68.02**	**4.73%**	**1506.31**
Less Depcn on Contribution		16.92		
Allowable Net Depreciation		**51.10**		

The Commission decides to allow the depreciation of Rs.51.10 Crores for FY13.

vi) Prudence Check of Capital Investment for the control period FY10 to FY12:

In its Tariff Orders for the years FY10 and FY12, the Commission had approved a total capital expenditure of Rs.1007.24 Crores for MESCOM. The year-wise expenditure incurred by MESCOM against the approved capex is shown in the following Table:

Amount in Rs.Crs.

Particulars	FY10	FY11	FY12
Capital Investment Proposed & Approved	401.64	257.05	348.55
Capital Investment actually incurred (Figures as per Annual Report)	205.8	188.07	127.4
Shortfall	195.84	68.98	144.3
% Achievement	51.24	73.16	46.88

While determining the tariff for FY14, the Commission had taken up prudence check of the capital expenditure incurred by MESCOM for the period FY10 to FY12. For this purpose the Commission had engaged the services of M/s. Price Water House Coopers Pvt. Ltd. (PWC) as consultant initially to evaluate major works costing more than Rs.50 lakhs each, taken up as part of capital expenditure during the above period. The consultants had then identified 86 works each costing above Rs.50 lakhs and had carried out prudence check, the report of which was available to the Commission before finalizing the Tariff Order for FY14. Considering the quantum of capex incurred and the number of works costing more than Rs.50 lakhs, the Commission decided to extend the scope of the prudence check to ensure that a larger sample of works of a more representative nature was evaluated by the consultant before deciding on the prudence of the capital expenditure incurred during the three years.

Since separate consultants were engaged for evaluating the works of each of the ESCOMs, the Commission felt that, there was a need to have common guideline for prudence check. In this regard, the Commission, after due consultation with the ESCOMs and consultants, finalised the guidelines to be adopted for prudence check. These guidelines included different aspects of the execution of works like planning, implementation and analysis of post completion results. These aspects of evaluation were to be graded by assigning marks and the prudence of the capex of a particular work decided on the basis of such grading.

Continuing from the earlier prudence check exercise, M/s. PWC was requested to:

i. To examine a more representative and larger sample of works in two categories, viz., (a) works costing more than Rs.10 Lakhs; and (b) those costing less than the said amount, in each case.
ii. To evaluate different types of works duly covering the entire geographical area of the ESCOMs.
iii. To ensure that substantial capex of at least 50% is included in the category of works costing more than Rs.10 lakhs each.
iv. Only completed capital works were to be covered, as works in progress could not be valued with reference to the objectives and the completed cost of the works.

Some major projects such as Revised Accelerated Power Development and Reforms Programme (RAPDRP) and Niranthara Jyothi Yojana (NJY) had to be excluded from the scope of the prudence check, even though capital expenditure was incurred on these projects, as the implementation of these projects, had not reached a stage at which prudence check of these projects could be taken up. Expenditure on these projects will therefore be subjected to prudence check while carrying out the APR of subsequent years.

Adopting the above methodology and including the sample that was covered during the initial prudence check referred to above:

i. The consultants examined 81 works costing more than Rs.10 Lakhs and 49 works costing less than Rs.10 Lakhs executed by MESCOM during the three years covered by the prudence check.
ii. Out of 81 works, costing over Rs.10 Lakhs each with a total cost of Rs.70.47 Crores, checked by the consultant, it was found that 3 works costing Rs.78.81 Lakhs did not meet the norms of prudence as stipulated in the guidelines issued by this Commission.
iii. Out of the sample of 50 works (costing Rs.260 lakhs), in the category of works costing less than Rs.10 Lakhs, 2 works costing Rs.6.33 Lakhs failed to meet the norms of prudence as stipulated in the guidelines issued by this Commission.

The consultants' report reveals that the capital works executed by MESCOM are predominantly minor in nature, with as many as 6956 works of less than Rs.10 Lakhs being executed in the three years between FY10 and FY12. The completed capital works of more than Rs.10 Lakhs numbered only 96, excluding civil works and IT projects, which were not taken up for prudence check.

Some of the other findings of the prudence check are summarized in the following Table:

Particulars	Status of the Project
Number of works costing more than Rs.10 Lakhs for which prudence check was carried out.	81
Number of projects in which investments are proactive	41
Number of projects cost benefit analysis carried out	37
Number of works completed with delay (time overrun)	26
Number of works without any cost over-run	23
Number of works in which alternatives are considered	14

In the prudence check carried out, the total number of capital works which were eligible for prudence check was 96 in the category of works costing above Rs.10 Lakhs each (with a total cost of Rs.85.84 Crores) and 6956 works in the category of works costing less than Rs.10 Lakhs (with a total expenditure of Rs.182.33 Crores). Thus, out of the total capital expenditure of Rs.521.27 Crores incurred by MESCOM during the period FY10 to FY12, the works which were eligible for prudence check involved an expenditure of Rs.519.36 Crores. The total cost of the works which formed part of the sample amounted to Rs.73.07 Crores, this amounted to 14.06% of the cost of works eligible for prudence check during the period in question. Out of this, works costing Rs.0.8514 Crores were found not to meet the norms of prudence adopted for the purpose of prudence check.

After considering the consultants' report, the Commission has obtained the remarks of MESCOM on the findings of the prudence check. The Commission has considered the remarks and have decided to accept the findings of the consultants as given in their Report. Extrapolating the finding that works involving an expenditure of Rs.0.8514 Crores out of the sample works costing Rs.73.07 Crores are not meeting the norms of prudence, the Commission has decided that 1.165 % of the expenditure of Rs.519.36 Crores incurred on completed works eligible for prudence check during the above period should be tentatively disallowed pending further clarifications from MESCOM. The Commission therefore disallows Rs.6.05 Crores of the capital expenditure incurred during the period and reduces the allowable interest on loans and depreciation on the disallowed works amounting to Rs.0.78 Crores from the APR of FY13 as shown in the following table:

Summary of the prudence check for FY10 – FY12

Particulars	Amount in Rs.Crs.
Total cost of capex eligible for prudence check	519.36
Total cost of the sample works	73.07
Cost of sample works meeting prudence norms	72.22
Cost of sample works not meeting prudence norms	0.8514
Percentage of cost not meeting prudence norms	1.165%
Overall cost of capex not meeting prudence norms	6.05
Amount to be disallowed towards works not meeting prudence norms calculated on the basis of weighted average interest & weighted average depreciation on the capex to be disallowed.	0.78

However, the Commission decides to provide another opportunity to MESCOM to furnish additional information on the works relating to the capital expenditure so disallowed, which will be considered by the Commission for any modification of the decision to disallow the capital expenditure and included in the APR of subsequent years.

vii) Capital Expenditure of MESCOM for FY13:

MESCOM has reported a Capex expenditure of Rs.130.92 Crores as against the cost of approved Capex of Rs.249.85 Crores for FY13. The following table indicates the details of actual expenditure incurred in FY13 as against the approved Capex.

Capital Investment approved and Actual Expenditure for FY13

Amount in Rs. Lakhs

Sl . No.	Particulars	Approved Capex	Actual Expenditure
1	HVDS and Improvement works	60.00	45.31
2	Replacement of electro mechanical meters by	5.00	2.54

	static meters, universal metering			
3	Smart Grid		1.00	
4	APDRP		23.00	0.42
5	Replacement of faulty distribution Transformers		15.00	14.23
6	Service Connection including promoter vanished layout works		15.00	23.77
7	RE General			
	a. Electrification of Hamlets/JCs/Tandas	RGGVY	55.00	0.21
		RE General	5.00	1.96
	b. IP Sets		10.00	26.87
	c. KutirJyothi		0.50	0.08
8	Sub-Total		70.50	30.92
	Tribal Sub Plan			
	a. Electrification of Tribal Colonies		0.72	0.19
	b. Energization of IP sets		1.125	0.04
	c. KutirJyothi		0.075	0.01
9	Sub-Total		1.920	0.24
	Special Component Plan			
	a. Electrification SC colonies		1.80	0.60
	b. Energization of IP sets		1.50	0.10
	c. KutirJyothi		0.125	0.01
	Sub-Total		3.425	0.71
10	T&P and Computers		2.00	1.66
11	Civil Engineering Works		8.00	3.72
12	33KV Station Works		45.00	7.41
TOTAL			**24985**	**13092**

The Commission notes with disappointment the poor performance of MESCOM in implementing the Capital works programme during FY13 and directs that, the Company should organize its capital works implementation more effectively in future.

The Commission observes that, as against approved budget of Rs.10 Crores of Electrification of IP sets, MESCOM has incurred Rs.26.87 Crores without any explanation.

The Commission decides to allow the actual expenditure of Rs.130.92 Crores for FY13 as the same is within the approved capital investment of Rs.249.85 Crores subject to prudence check to be carried out during FY15.

viii) Interest and Finance Charges

a) Interest on loan:

MESCOM's Submission:

As per format D9, MESCOM has claimed an amount of Rs.45.76 Crores towards interest on loans. MESCOM has indicated an opening balance of loan of Rs.394.77 Crores and a closing balance of Rs.384.69 Crores.

Commission's analysis and decisions:

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 – 4.12

Allowable Interest on Loans -FY13

Amount in Rs.Crs.

Particulars	
Opening Balance of Secured Loans	377.92
Opening Balance of Unsecured Loans	16.84
Total opening balance of loans	**394.76**
Long term secured & unsecured loans	394.76
Add new Loans	70.44
Less Repayments	80.52
Total loan at the end of the year	384.68
Average Loan	**389.72**
Interest paid on long term loans as per audited accounts for FY13	45.76
Weighted average rate of interest based on the actual interest paid on average loans in %	11.74%

Considering the average loan of Rs.389.72 Crores and an amount of Rs.45.76 Crores incurred towards interest on long term loans, the weighted average rate of interest works out to 11.74%.

Further, considering the actual capitalization of interest of Rs.2.07 Crores as per audited accounts, the net amount of Rs.43.69 Crores is allowed towards interest on loan for FY13.

ix) Interest on Working Capital:

MESCOM's Submission:

MESCOM has claimed an amount of Rs.28.19 Crores towards interest on working capital.

Commission's analysis and decisions:

As per audited accounts, MESCOM has incurred an interest of Rs.9.39 Crores on short term borrowings during FY13.

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 FY13 as follows:

TABLE – 4.13

Allowable Interest on Working Capital for FY13

Amount in Rs.Crs.

Particulars	FY 13
One-twelfth of the amount of O&M Exp.	21.67
Opening GFA as per Audited Accts	1374.52
Stores, materials and supplies 1% of Opening balance of GFA	13.75
One-sixth of the Revenue	291.45
Total Working Capital	326.87
Rate of Interest (% p.a.)	11.75%
Interest on Working Capital	**38.41**
Actual interest on WC as per Audited Accounts	9.39
As per regulations actual plus 50% of difference between actual and normative	23.90

The Commission decides to allow an amount of Rs.23.90 Crores towards interest on working capital for FY13.

x) Interest on Consumer Deposits:

MESCOM's Submission:

MESCOM has claimed an amount of Rs.30.26 Crores towards payment of interest on security deposit for FY13.

Commission's analysis and decisions:

The Commission notes that, the interest on consumer deposits amounting to Rs.30.26 Crores claimed by MESCOM works out to a weighted average rate of interest of 9.25%. As per KERC (Interest on Security Deposit) Regulations, 2005 the interest on consumer deposits is to be allowed as per the bank rate prevailing on the 1st of April of the relevant year. The bank rate as on 1st April, 2012 was 9.5%. Hence, the Commission decides to allow an amount of Rs.30.26 Crores claimed towards interest on consumer deposits for FY13.

xi) Other Interest and Finance charges:

MESCOM has claimed an amount of Rs.2.85 Crores towards other interest and finance charges for FY13 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 FY13.

Thus the allowable interest and finance charges for FY13 are as follows:

TABLE – 4.14

Allowable Interest & Finance Charges-FY13

Amount in Rs.Crs.

Sl. No.	Particulars	FY13
1.	Interest on Loans	45.76
2.	Interest on working capital	23.90
3.	Interest on consumer deposits	30.26
4.	Other interest and finance charges	2.85
5.	Less Interest capitalized	2.07
6.	**Total interest and finance charges**	**100.70**

xii) Other Debits:

MESCOM's Submission:

As per the annual Accounts, an amount of Rs.4.19 Crores is claimed towards other debits as detailed below:

TABLE – 4.15

Other Debits-MESCOM's Proposal

Amount in Rs.Crs.

Sl No	Particulars	FY13
1	Provisions for bad and doubtful debts	1.46
2	Miscellaneous losses and write offs	1.31
3	Others	1.42
	Grand Total	**4.19**

Commission's analysis and decisions:

On review of the data as per the audited accounts, the Commission notes that an amount of Rs.1.46 Crores is included as provision for bad and doubtful debts. The Commission is of the view that provisions for bad and doubtful debts cannot be allowed unless they are written off. Hence the Commission decides to allow other debits for FY13 as detailed below:

TABLE – 4.16

Allowable Other Debits-FY13

Amount in Rs.Crs.

Sl No	Particulars	FY13
1	Small and low value items written off	0.06
2	Losses/gains relating to fixed assets	0.70
3	Assets decommissioning cost	0.07
4	Bad debts written off	1.30
5	Miscellaneous losses and write offs	0.40
	Grand Total	**2.53**

xiii) Net Prior Period Charges:

MESCOM's Submission:

MESCOM has claimed an amount of Rs.11.93 Crores towards Net Prior Period Credits.

Commission's analysis and decisions:

As per the Annual Accounts, the prior period debit on account of employee costs, A&G expenses and other expenses of Rs.0.66 Crores. Further the prior period credit is Rs.12.60 Crores on account of excess provision of interest, other excess provision in prior period and other income relating to prior period. Hence the Commission decides to allow a net prior period credit of Rs.11.94 Crores for FY13.

xiv) Return on Equity:

MESCOM's Submission:

MESCOM has computed its claims of Return on Equity for FY13 as follows:

TABLE – 4.17

Return on Equity –MESCOM's Submission

Amount in Rs.Crs.

Particulars	FY13
Equity held as on 31.03.2013	172.07
Capital Reserves at the beginning of the year	60.18
Total Equity	**232.25**
RoE @ 19.377%	**45.00**

Commission's analysis and 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 Return on Equity at 15.5% on equity plus reserves and surplus besides allowing taxes as per actuals. As per the audited accounts, MESCOM has not incurred any expenditure towards payment of income tax for FY13. Therefore allowable RoE for FY13 is determined as follows:

TABLE – 4.18

Allowable Return on Equity –FY13

Amount in Rs. Crs

Particulars	FY13
Paid Up Share Capital	172.06
Reserves and Surplus as on 31.03.2012	58.85
Total Equity	230.91
Allowable Return on Equity @ 15.50%	**35.79**

The Commission decides to allow an amount of Rs.35.79 Crores as Return on Equity for FY13.

xv) Provision for taxation:

As per the Audited Accounts, MESCOM has declared income tax liability of Rs.1.73 Crores. Further, MESCOM has also indicated MAT credit entitlement of Rs.8.37 Crores. Thus a net credit of Rs.6.64 Crores is recognized as income tax for FY13. The Commission decides to allow the same.

xvi) Other Income:

MESCOM's Submission:

As per the Annual Accounts, an amount of Rs.25.32 Crores is shown as Other Income during the year 2012-13.

Commission's analysis and decisions:

As per the audited accounts, the other income for FY13 of Rs.25.32 Crores includes income from interest on advance, sale of scrap, rent from staff quarters incentives on timely payment to generating companies and miscellaneous recoveries.

It is observed that MESCOM has received a total incentive of Rs.11.61 Crores due to prompt payment to generators. The Commission notes that timely payment to generators is as agreed in the power purchase agreements. The incentive earned for such timely payments is further translated as savings in the cost of power purchase. Providing incentives on such financial prudence is required to encourage ESCOMs to be disciplined in payments to generators without incurring costs of interest on belated payment as being reported in their accounts.

It is pertinent to recognize the focus of the Tariff Policy wherein it is stated that,

> *"…….Making the distribution segment of the industry efficient and solvent is the key to success of power sector reforms and provision of services of specified standards. Therefore, the Regulatory Commissions need to strike the right balance between the requirements of the commercial viability of distribution licensees and consumer interests. Loss making utilities need to be transformed into profitable ventures which can raise necessary resources from the capital markets to provide services of international standards to enable India to achieve its full growth potential. Efficiency in operations should be encouraged. Gains of efficient operations with reference to normative parameters should be appropriately shared between consumers and licensees……………."*

The Commission is of the view that MESCOM's efforts in making timely payments to generators and earning incentives in the form of rebate under the terms of PPA need to be encouraged even though MESCOM is bound to endeavor to make prompt payments by normal prudence in financial management.

Hence, the Commission decides to allow 10% of the total incentive amounting to Rs.1.16 Crores on account prompt payment of power purchase to be retained by MESCOM for FY13. Thus after deducting the incentive of Rs.1.16 Crores, the Commission decides to determine an amount of Rs.24.15 Crores as other income for FY13.

Adjustment of Advance against Depreciation (AAD) as per Commission's Order in Case No.B/06/9 dated 17th October 2013:

MESCOM has requested to allow an amount of Rs.61.19 Crores as per the Commission's Order dated 17.10.2013 in Case No.B/06/9 in which the Commission had decided to adjust the advance against depreciation provided during FY10 in the APR for FY13. Hence, an amount of Rs.26.86 Crores is adjusted in the APR for FY13.

Further, MESCOM in its application has indicated a credit balance of Rs.70.06 Crores as depreciation written back upto 31.03.2012 on account of assets created out of consumer contribution/grants. Since, the Commission has already factored in Rs.26.86 Crores as per order dated 17.10.2013, the balance amount of Rs.43.20 Crores is recognized as credit balance under extraordinary items.

xvii) Prior Period Subsidy:

MESCOM has requested the Commission to consider an amount of Rs.123.26 Crores of subsidy pertaining to previous years factored as revenue in APR FY12. Also, MESCOM has claimed an amount of Rs.16.18 Crores as additional tariff subsidy of FY12 received during FY13.

The Commission has noted the request of MESCOM and decides that prior period subsidy in any year cannot be considered as revenue of that year as the accounting of revenue is carried out on accrual basis. Hence, the

Commission decides to allow Rs.123.26 Crores of prior period subsidy in the APR of FY13.

Further, the Commission has not considered the amount of Rs.16.18 Crores of subsidy for FY12 received during FY13.

xviii) Abstract of Approved ARR for FY13:

As per the above itemwise decisions of the Commission, the consolidated Statement of ARR for FY13 is as follows:

TABLE – 4.19
Approved ARR for FY13 as per APR

Amount in Rs.Crs.

Sl. No	Particulars	As Appd 30.04.2012	As Filed	As per APR
	Revenue at existing tariff			
1	Revenue from tariff and misc. Charges	1529.33	1406.18	1405.85
2	Tariff Subsidy	299.09	342.53	342.88
3	**Total Existing Revenue**	**1828**	**1748.71**	**1748.73**
	Expenditure			
4	Power Purchase Cost	1173.18	1378.27	1378.34
5	Transmission charges of KPTCL	159.83	158.89	158.89
6	SLDC Charges	1.86	0.25	0.20
7	**Power Purchase Cost including cost of transmission**	**1334.87**	**1537.41**	**1537.43**
8	Employee Cost		208.55	
9	Repairs & Maintenance		15.12	
10	Admin & General Expenses		36.4	
11	**Total O&M Expenses**	**255.37**	**260.07**	**260.07**
12	Depreciation	77.38	50.84	51.10
	Interest & Finance charges			
13	Interest on Loans	60.78	45.76	45.76
14	Interest on Working capital	38.83	28.19	23.90
15	Interest on belated payment on PP Cost	0	0	0
16	Interest on consumer deposits	17.84	30.26	30.26
17	Other Interest & Finance charges	0.41	2.85	2.85
18	Less interest capitalized	2	2.07	2.07
19	**Total Interest & Finance charges**	**115.86**	**104.99**	**100.70**
20	Other Debits	0	4.19	2.53
21	Net Prior Period Debit/Credit	0	-11.93	-11.94
22	Return on Equity	43	45.00	35.79

23	Provision for taxation	0	1.73	-6.64
24	Funds towards Consumer Relations/Consumer Education	0.5	0.05	0.00
25	Other Income	31.08	25.32	24.15
26	Extraordinary Item		-78.43	-43.20
27	**ARR**	**1795.90**	**1888.60**	**1901.68**
28	Unmet gap of FY12 subject to APR of FY12	-22.53		
29	Deduction of AAD -Case No.B/06/9 Dtd.17.10.2013			26.86
30	Regulatory asset for FY13 / Prior period subsidy accounted as other income in APR of FY12	-10.00	-200.63	-123.26
31	Amount disallowed on account of prudence check of capex FY10-12			0.78
	Net ARR	**1828.43**	**2089.23**	**1997.30**
	Gap in revenue for FY13		**-340.52**	**-248.57**

xix) Gap in Revenue for FY13:

As against an approved ARR of Rs.1828.43 Crores, the Commission after the annual performance review of MESCOM decides to allow an ARR of Rs.1997.30 Crores for FY13. Considering the revenue of Rs.1748.73 Crores, there is a deficit of Rs.248.57 Crores is determined for the year FY13.

The ARR of Rs.1997.30 Crores for FY13 in relation to the total sales of 3771.88 MU during the year, results in the average cost of supply per unit sold of Rs.5.30 per unit. As against this, the revenue realized from all categories of salesat Rs.1748.73 Crores, including subsidy paid by Government, works out to an average revenue realization of Rs.4.64 per unit. Thus, there is a deficit of 248.57 Crores which also includes the cost of providing supply of 141.36 MU in excess of quantity included in the ARR to IP Sets and BJ/KJ consumers during the year beyond the quantum approved in the ARR for FY13, against which no subsidy had been determined by the Commission from the Government of Karnataka. Also, due to the sales to other than BJ/KJ & IP category of consumers being lower than factored in the approved ARR of the year, there is no additional cross subsidy available to cover the cost of this excess supply to the IP Sets and BJ/KJ consumers. Therefore, the entire cost of supply of this additional quantity of power supplied to IP Sets and BJ/KJ Consumers has to be recovered from the State Government at the average cost of supply of Rs.5.30 per unit as additional subsidy. This amounts to Rs.74.85 Crores. With this additional subsidy from the Government of Karnataka, the unfilled gap for FY13 will be reduced from Rs.248.57 Crores to 173.72 Crores.

Government of Karnataka has in their letter No. EN 10 PSR 2014 dated 22nd March 2014, addressed to the Managing Directors of the ESCOMs (copy obtained by the Commission), have also accepted this position by agreeing to pay for any additional supplies made to the IP Sets and BJ/KJ consumers over and above the quantum approved in the ARR of FY13 at the cost determined by the Commission.

As per the above discussion, the additional subsidy payable by Government of Karnataka for FY13 is as follows:

TABLE - 4.20

Additional Subsidy for FY13

Sl. No	Particulars	FY13
1	Actual sales to BJ/KJ & IP Sets in MU	1072.57
2	Approved sales to BJ/KJ & IP Sets in MU	931.21
3	Increase in sales in MU (2-1)	141.36
4	Average cost of supply as per APR- Rs/Unit	5.30
5	Additional cost for increased sales at ACS as per APR- Rs.Crs (3*4)	74.85
6	**Additional Subsidy to be paid by GoK for FY13- Rs.Crs**	**74.85**

The Commission decides to carry forward the balance deficit of Rs.173.72 Crores of FY13 to the proposed ARR for FY15 as discussed in the subsequent Chapter of this Order.

CHAPTER – 5

REVISED ANNUAL REVENUE REQUIREMENT FOR FY15

5.0 *REVISED ARR for FY15 - MESCOM's Filing:*

MESCOM vide its application dated 13th December, 2013, has sought approval for the revised ARR for FY15. The summary of the proposed ARR for FY15 is as follows:

TABLE – 5.1

Proposed ARR for FY15

Amount in Rs.Crs.

Sl. No	Particulars	FY15
	Revenue at existing tariff	
1	Revenue from tariff and Misc. Charges	1632.65
2	Tariff Subsidy	392.00
3	**Total Revenue**	**2024.65**
	Expenditure	
4	Power Purchase Cost	1427.65
5	Transmission charges of KPTCL	187.71
6	SLDC Charges	1.64
7	**Power Purchase Cost including cost of transmission**	**1617.00**
8	Employee Cost	
9	Repairs & Maintenance	
10	Admin & General Expenses	
11	**Total O&M Expenses**	**347.64**
12	Depreciation	64.72
	Interest & Finance charges	
13	Interest on Loans	62.98
14	Interest on Working capital	44.25
15	Interest on belated payment on PP Cost	
16	Interest on consumer deposits	35.81
17	Other Interest & Finance charges	2.85
18	Less interest capitalised	2.07
19	**Total Interest & Finance charges**	143.82
20	Other Debits	4.19
21	Return on Equity	63.89
22	Funds towards Consumer Relations/Consumer Education	0.50
23	Other Income	20.13
24	**Net ARR**	**2221.63**
25	**Deficit**	**-196.98**

MESCOM has requested the Commission to approve the revised Annual Revenue Requirement as stated above. Further, MESCOM has proposed to increase the retail supply tariff by 66 paise per unit across all categories of consumers excluding BJ/KJ and IP set consumers for FY15 in order to bridge the gap in revenue of Rs.196.98 Crores of FY15.

5.1 Annual Revenue Requirement for FY15:

As discussed in the preceding chapter of this order, the Commission has carried out the Annual Performance Review for FY13 based on the audited accounts furnished by MESCOM. Accordingly, the deficit of Rs.173.72 Crores is to be carried forward in to the ARR of FY15.

Since the audited financial statements for the year FY14 are yet to be finalised and furnished by the ESCOMs, the Commission decides to take up the APR of FY14 during revision of ARR / Tariff for FY16.

5.2 Annual Revenue Requirement for FY15:

5.2.1 Capital Investments for FY15:

MESCOM in its filing has proposed a revised Capital Investment Programme of Rs.262.33 Crores for FY15 to achieve the following objectives:

- Reducing the distribution losses by conducting System Improvement Works like installing additional transformers, construction of 11 kV Link Lines, Re-conductoring of 33 kV/HT/LT Lines etc.
- Reduction in Transformer failure after regularizing the unauthorized IP sets by providing necessary infrastructure.
- Bifurcation of overloaded feeders to meet the increasing load and to cater quality Power Supply to the consumers by proposing new Sub-

Stations, augmenting the existing Substations and construction of 11 kV Link/ Express Lines.

- To reduce the HT/LT ratio by taking High Voltage Distribution System (HVDS) in Kadur and Chikkamagalur Districts.
- By undertaking Niranthara Jyothi Yojana (NJY) in Shimoga and Chikmagalur Districts for Segregation of IP load in 11KV feeders.
- Electrification of Rural households by implementation of Decentralized Distribution Generation (DDG) under RGGVY to cover 98 Hamlets having 1453 households in 42 remote Villages where it is not possible to extend grid connectivity.

The details of revised Capital Expenditure proposed for FY15 as against the approved Capital Investment for MESCOM are as follows:

Capital Investments of MESCOM for FY15

Amount in Rs.Crores

Sl No	Particulars	Approved in MYT Order	Revised
1.	Extension & Improvement (Addl. DTCs, Link-Lines, HT/LT Reconductoring, providing intermediate poles, HVDS, etc.)	65	95.00
2.	DTC Metering	45	-
3.	R-APDRP Programme	-	25.00
4.	Replacement of faulty DTCs	15	20.00
5.	Service Connections	15	30.00
6.	**Rural Electrification (General)**		
a.	RGGVY Programme	-	20.00
b.	Electrification of Hamlets	5	2.00
c.	Energization of IP sets (including providing infrastructure of UA IP sets)	11	35.00
d.	KutirJyothi	0.58	0.25
	Sub-Total (a+b+c+d)	**16.58**	**57.25**
7.	**Tribal Sub Plan**		
a.	Electrification of Tribal Colonies	0.72	0.60
b.	Energization of IP Sets	1.23	0.35
c.	KutirJyothi	0.09	0.03
	Sub-Total	**2.04**	**0.98**

8.	**Special Component Plan**		
a.	Electrification of S.C. Colonies	2	1.00
b.	Energization of IP sets	1.73	1.00
c.	KutirJyothi	0.23	0.10
	Sub-Total:	**3.96**	**2.10**
9.	Tools & Plants and Computers	2.3	2.00
10.	Civil Engineering Works	15	15.00
11.	33 kV Sub stations & Line works	36.5	15.00
	TOTAL	**216.4**	**262.33**

Commission's Analysis and Decisions:

The Commission notes that, the proposal of MESCOM to increase Capital outlay for Extension and Improvement by Rs.30 Crores is to improve its services to consumers and reduce distribution losses.

Under Rural Electrification Programme, it has revised the provision from Rs.16.58 Crores to Rs.57.25 Crores to meet its objective of "Electricity for all".

Further, MESCOM has not made any provision for DTC metering even though, the same was provided under Capital Works Programme for FY15 in the Tariff Order dated 6-5-2013. MESCOM should undertake DTC metering and seek additional outlay if any required.

The Commission having taken note of various objectives set out in MESCOM's proposal to revise Capital Investment Programme of Rs.262.33 Crores for FY15, decides to allow Capex as proposed subject to prudence check.

Commission analysis and decisions:

The MESCOM's Achievement for the past years was in the range of Rs.122.06 Crores to Rs.214.06 Crores and the percentage achievement was ranging between 34.75% and 81%.

The capex programme as proposed by MESCOM is approved subject to prudence check to be conducted by the Commission on the completion of these works.

5.2.2 Sales Forecast for FY15:

I. MESCOM's Filing:

MESCOM, in its current ERC filling has estimated sales for FY15 at 4143.19 MU (excluding 38.72 MU to KPCL) and the number of installations as 2063968. MESCOM has stated that the above projections are arrived at by considering the CAGR for the period FY09 to FY12 for categories other than BJ/KJ and IP sets. Further, it is stated that, for BJ/KJ and IP sets, the sales estimates are based on specific consumption.

The Commission in its preliminary observations had pointed out that the overall sales growth of 4.66% considered by MESCOM is low compared to the normal growth in the range of 8.0% to 9.4%. Further, the Commission had observed that the sales growth rates proposed for LT-Domestic, LT-Commercial, LT- Temporary, HT-Water Supply, HT-Commercial, HT-Irrigation and HT- Industries were on the lower side.

MESCOM in its replies has stated that it has considered reasonable CAGR for each of the categories and has retained the sales as proposed.

The Commission has noted the replies furnished by MESCOM. The approach of the Commission regarding sales estimates for FY15 is discussed in the following paragraphs:

Commission's approach for estimating the number of installations and sales for FY-15.

The following paragraphs explains the methodology adopted by the Commission to estimate the number of installations and Sales to categories other than BJ/KJ and IP sets

i) No. of Installations :

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

a. The base year number of installations for FY 14 is considered as proposed by MESCOM

b. Wherever the number of installations estimated by MESCOM is within the range of estimates based on the CAGR for the period FY08 – FY13 and for the period FY10-FY13, the estimate of MESCOM is retained.

c. Wherever the number of installations estimated by MESCOM is lower than the estimates based on the CAGR for the period FY08 – FY13 and for the period FY10 - FY13, the estimate based on the lower of the CAGR are considered.

d. Wherever the number of installations estimated by MESCOM is higher than the estimates based on the CAGR for the period FY08 – FY13 and for the period FY10 - FY13, the estimate based on the higher of the CAGR are considered.

e. For both LT and HT temporary categories, the estimates of MESCOM are retained as the growth rate for this category varies from year to year.

f. For HT-2C category, the estimates of MESCOM are retained as there is no trend available for this category (New category introduced in the last Tariff Order).

   Based on the above approach the total number of installations estimated by the Commission works out to 2126754 as against the estimates of MESCOM at 2063968, an increase of 62786 installations.

ii) Sales:

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

a. The base year sales for FY14 are estimated duly considering the actual sales up to November, 2013

b. Higher of the CAGR for the period FY08 – FY13 and for the period FY10 - FY13 is considered for categories other than those mentioned below.

c. For both LT and HT temporary categories, the estimates of MESCOM are retained as the growth rate for this category is inconsistent.

d. For HT-2C category, the estimates of MESCOM are retained as there is no trend available for this category (new category introduced in the last Tariff Order).

e. For HT-3, sales are retained at FY14 level as there is inconsistent growth.

Based on the above approach the sales to categories other than BJ/KJ and IP works out to 3043.01 MU against MESCOM's estimate of 2984.32 MU, an increase of 58.69 MU.

II. Sales to BJ/KJ and IP sets :

i) Sales to BJ/KJ :

MESCOM has estimated the number of installations as 141147 and the sales at 16.79 MU. It is observed that the above number excludes installations consuming more than 18 units per month per installation.

Considering FY-13 Specific consumption per installation per month at 9.17 units, the sales to BJ/KJ are worked out at 15.89 MU.

Further the consumption pertaining to the installations consuming more than 18 units/month/installation (44640 numbers), works out to 24.55 MU i.e. specific consumption of 45.83 units per installation per month, and it is accounted in LT 2(a) category.

ii) <u>Sales to IP sets</u>

In the previous Tariff Order, the Commission had considered the presence of unauthorized IP Set installations in the Distribution system and had fixed the specific consumption as 4597 units / installation / annum for the entire control period of FY14 to FY16. As per the actual data of Sales to IP Sets during FY13, MESCOM has reported Sales of 1060.21 MU and 238638 numbers of IP set Installations, which results in a specific consumption of 4640 units / installation / annum. It is observed that MESCOM has reported more than 6 hours of power supply to IP Sets resulting in excess specific consumption during FY13. However, the Commission has not considered the specific consumption reported by MESCOM during FY13 for the purpose of projection of IP Set Sales in FY15. The Commission therefore decides to continue the specific consumption as 4597 units / installation / annum for FY15.

It is noted that the number of IP Set installations projected by MESCOM for FY14 in the present Tariff filing is 243638 numbers, whereas the actual number of IP Set installations reported by MESCOM in the data furnished for February, 2014 is 244771. Thus, the actual number of IP Sets furnished by MESCOM is more than the estimated figures for FY14, as per the tariff filing. The increase in number of IP Sets is attributed to the regularization of unauthorized IP Sets by MESCOM for the purpose of taking them into books of accounts. Hence, based on the actual figures, it is relevant to consider 244771 as number of IP Sets for FY14. As regards for the number of installations to be considered for FY15, the Commission will go by the figures furnished by MESCOM for FY15 as it has considered in its projections that around additional 4000 IP Sets would be serviced including regularization of un-authorized IP Sets during FY15. Hence, based on the actual number of Installations for FY14 and the estimated number of IP Sets for FY15, the midyear number of installations determined on the basis of which Sales to IP Set consumers is as indicated below:

Particulars	As per filing by MESCOM	As approved by the Commission
No. of IP Set installations for FY 14	243638	244771
No. of IP Set installations for FY 15	248638	248638

Mid Year No. of Installation for FY 15	246138	246705
Specific consumption in units / installation / annum	4640	4597
Sales in MU	1142.08	1134.10

As per the above discussion, the Commission approves 1134.10 MU as sales as against the MESCOM's sales projections of 1142.08 MU for FY15. Further, any variation in sales would be trued up during the Annual Performance Review for FY15.

As discussed in the preceding chapter on ARR for FY13, in view of MESCOM achieving substantial progress in installing meters for IP sets unlike in other ESCOMs, MESCOM needs to furnish the consumption of IP Sets on the basis of meter readings only instead of assessing the consumption of IP Sets on the basis of fixed to DTCs with predominant IP Sets consumption. Henceforth, MESCOM shall consider the actual readings of IP Sets wherever the metering has been completed and report the actual consumption of IP Sets on the basis of data from IP Set meters every month to the Commission as it would be a more accurate measure of consumption of IP sets.

The estimates for FY15 worked out on the above principles are indicated below:-

TABLE – 5.2
Approved Retail Sales – FY15

Category	Number of Installations		Sales-MU	
	As filed	*As approved*	*As filed*	*As approved*
LT-2a	1422214	1484981	1251.44	1224.76
LT-2b	3163	3161	11.05	11.98
LT-3	180312	180312	309.51	306.93
LT-4 (b)	176	169	1.08	0.78
LT-4 ©	3001	3002	6.77	5.15
LT-5	25413	25413	132.32	128.90
LT-6	11591	11591	114.14	111.17
LT-6	16158	16157	66.96	62.12
LT-7	10534	10534	27.22	27.22
HT-1	64	64	82.80	86.96
HT-2 (a)	708	731	615.99	720.61
HT-2 (b)	586	586	236.05	221.13
HT2C	178	178	77.16	77.16
HT-3(a)& (b)	15	18	19.39	23.40
HT-4	52	53	13.84	16.13
HT-5	18	18	18.60	18.60
Sub-total[other than BJ/KJ and IP]	**1674183**	**1736969**	**2984.32**	**3043.01**
BJ/KJ	141147	141147	16.79	15.89
IP	248638	248638	1142.08	1134.10
Sub-Total [BJ/KJ & IP]	**389785**	**389785**	**1158.87**	**1149.99**
Grand Total	**2063968**	**2126754**	**4143.19**	**4193.00**

Thus, the overall sales for MESCOM approved by the Commission are 4193 MU against MESCOM's proposal of 4143.19 MU.

5.2.3. Distribution Losses for FY15

MESCOM's Submission:

As per the audited accounts for FY13, MESCOM has reported distribution losses of 11.88% as against an approved loss level of 12.00%. The Commission in its tariff order dated 6th May, 2013 has fixed the target level of losses for FY15 at 11.50%. MESCOM in its filing has proposed to achieve a loss level of 11.50% for FY15.

Commission's analysis and decisions:

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

TABLE – 5.3

Approved & Actuals Distribution Losses – FY09 – FY13

Figures in %

Particulars	FY09	FY10	FY11	FY12	FY13
Approved Distribution losses	14.80	12.90	12.50	12.10	12.00
Actual distribution losses	12.95	12.64	13.07	12.09	11.88

From the above data, it is evident that MESCOM has been able to bring down its distribution loss levels from 12.95% in FY09 to 11.88% in FY13 i.e. a reduction by 1.07%. Further, it has proposed loss levels of 11.50% as set by the Commission for FY15.

The Commission notes that, the Capital expenditure on new/augmentation of existing infrastructure in the past and the proposed capex for the ensuing year should enable reduction of distribution losses as proposed by MESCOM. Considering the proposal of MESCOM, the Commission retains the following range of distribution loss levels as specified in its Order dated 6th May, 2013:

TABLE – 5.4
Approved Distribution Losses for FY15

Figures in %

Particulars	FY15
Upper limit	11.75
Average	**11.50**
Lower limit	11.25

5.2.4 Power Purchase for FY15:

a) MESCOM's Proposal:

MESCOM in its application has proposed procurement of 4918.09 MU of energy at a cost of Rs.1427.66 Crores including the transmission and system operation charges for FY15. The Source-wise details of the procurement proposal are indicated in the following table:

TABLE – 5.5
Source-wise procurement Proposal submitted by MESCOM for FY15

SL No	Sources	Energy as per Fillings (MU)	Total Cost of Energy (Rs.Cr)	Per Unit Cost of Energy (Rs/Unit)
1	Hydro (KPCL)	1190.31	62.19	0.52
2	Thermal (KPCL)	1293.41	482.56	3.73
3	CGS	1143.18	367.16	3.21
4	IPPs	422.56	170.88	4.04
5	NCE	875.19	312.10	3.57
6	Short-term	-6.56	-1.74	2.65
Transmission Charges			34.51	0.07
Total		**4918.09**	**1427.66**	**2.90**

The actual power purchase for FY13 and FY14 (Provisional) was 4474.15 and 4666.64 MU respectively. Compared to the actual power purchase for FY13 & FY-14, the power purchase projection of 4918.09 MU for FY15 represents an increase of 5.4% over the quantum procured in FY14.

b) Commission's analysis and decision:

Energy Requirement of ESCOMs

Based on the estimated energy sales and approved distribution & transmission losses in the system as discussed in the preceding paragraphs, the energy requirement of MESCOM and other ESCOMs for FY15 is computed as shown in the following table.

TABLE – 5.6

ESCOM's Approved Power Purchase – FY15

PARTICULARS	BESCOM	MESCOM	CESC	HESCOM	GESCOM	TOTAL
Estimated Sales in MU	25395.08	4192.99	5448.45	8855.10	6204.96	50339.28*
Percentage distribution losses in %	13.60	11.50	15.00	19.00	18.50	15.21
Energy at interface point in MU	29392.45	4737.84	6409.94	10932.22	7613.45	59369.77
Percentage transmission losses in %	3.81					
Total energy requirement in MU	**30556.66**	**4925.50**	**6663.83**	**11660.34***	**7915.01**	**61721.35***

*** Includes projected energy of Hukeri RECS**

The energy requirement of ESCOMs is being sourced from Karnataka Power Corporation Limited (KPCL), Central Generating Sources (CGS), Independent Power Producers (IPPs) and Non-Conventional Energy Generators (NCEGs), having power purchase agreements with ESCOMs. The available quantum of energy from these sources is worked out based on the data furnished by KPCL, SRPC, PCKL and SLDC and the cost of procurement is estimated based on the latest bills from the generating Companies.

The availability of power for FY15 from each source 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 9th May, 2014. Any variation in the actual quantum and the actual cost of power purchase will be reviewed at the time of the Annual Performance Review of FY15.

The source wise details of the approved Power Purchases, from KPCL Hydro Stations, KPCL Thermal Stations, Central Generating Stations, IPPs, NCE Sources and Short term/Medium term sources, for FY15 are shown in **Annexure- I**

Considering the projected energy sales, there is a shortfall to be met from Short term/Medium term sources after exhausting all the Long term sources from conventional/NCE sources having PPAs with ESCOMs. Even though the overall per unit cost of short and medium term procurement of power by ESCOMs in the State has declined from Rs.6.93 in FY09 to Rs.4.38 in FY13 and Rs.4.95 in FY14 the quantum of short / medium term power procured has increased from 1293.68 MUs in FY09 (just 3.15% of the total energy consumption of 41060.60 MU) to about 11046.36 MU in FY13 (over 19.36 % of around 57046 MU of energy procured) and 6444 MU in FY14. This has significantly impacted on the average cost of the power supplied. The Commission is periodically monitoring the power situation in the State and directing ESCOMs to plan their requirements for procurement of power on medium and long term basis, and to minimize short term procurement so that the purchase of power would be economical and ESCOMs would be able to meet the proposed sales within a reasonable cost.

The Commission, while reviewing the power position in the State from time to time, had approved 1500 MW for FY14 and FY15 as medium term procurement at the weighted average rate of Rs.4.96 per KWh. Due to constraints of interregional transmission corridor, only 450 MW out of this could be actually procured by the ESCOMs during FY14. Therefore, the Commission had approved an additional short term procurement of about 373 MW from sources within Karnataka at the weighted average rate of Rs.5.30 per KWh to meet the projected demand during different parts of the year up to 30.06.2014. Considering these sources the weighted average rate of Short term/Medium term power purchase projected for FY15 works out to Rs.5.216 per KWh for the estimated procurement of 3773 MU on Short term/Medium term basis.

With a view to containing the cost of power procurement at reasonable levels, the Commission reiterates its earlier directive that any short term / medium term procurement of power in excess of Rs.4.50 per Kwh shall be made by ESCOMs only with the prior approval of the Commission.

Considering the estimated energy availability based on the existing Power purchase Agreements entered between ESCOMs and the Generating Companies, and the allocation of Power to MESCOM, the Commission decides to approve power procurement by MESCOM for FY15 as detailed in the following table.

TABLE – 5.7

Approved Power Purchase - FY15

SL No	Name of the Generating Station	Allowed Energy in MU	Cost of Energy Rs Crs	Unit Cost of Energy Rs/Kwh
1	KPCL HYDEL	1297.75	68.70	0.53
2	JURALA HYDEL	17.14	5.46	3.18
3	KPCL THERMAL	1337.92	509.52	3.81
4	CGS SUPPLY	1045.73	306.77	2.93
5	IPPS	53.10	24.24	4.57
6	NCE	875.19	312.10	3.57
7	SHORT TERM/MEDIUM TERM POWER PURCHASES APPROVED	298.66	155.79	5.22
KPTCL Transmission charges			180.52	
SLDC charges			2.05	
PGCIL charges			34.27	
POSOCO charges			0.24	
TOTAL		**4925.50**	**1599.66**	**3.25**

5.2.5 O & M Expenses:

MESCOM's Proposal:

MESCOM in its filing has requested to allow O & M expenses of Rs.347.64 Crores for FY15 as follows:

TABLE – 5.8

O&M Expenses-MESCOM's Proposal

Amount in Rs.Crs.

Sl. No	Particulars	FY15
1	Repairs and Maintenance	19.51
2	Employee Cost	282.79
3	Administrative and General Expenses	45.34
	Total O&M expenses	**347.64**

Commission's Analysis & Decision:

As per the norms specified under the MYT Regulations, the Commission has computed the O & M expenses for the control period FY15 duly considering the actual O & M expenses for the base year FY13.

The Commission notes that, the actual O& M expenses allowed for FY13 were Rs.260.07 Crores. 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 the ratio 80 : 20, the allowable inflation for FY15 is computed as follows:

TABLE – 5.9
Calculation of Weighted Average Inflation Index (WII)

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2002	87.92	103	99.98				
2003	92.6	107	104.12	1.041367	0.040534	1	0.04
2004	98.72	111	108.54	1.085614	0.082145	2	0.16
2005	103.37	116	113.47	1.134922	0.126564	3	0.38
2006	109.59	123	120.32	1.203373	0.185128	4	0.74
2007	114.94	131	127.79	1.278084	0.245362	5	1.23
2008	124.92	142	138.58	1.386062	0.326466	6	1.96
2009	127.86	157	151.17	1.511962	0.413408	7	2.89
2010	140.08	176	168.82	1.68843	0.523799	8	4.19
2011	157.3	197	189.06	1.890903	0.637054	9	5.73
2012	168.8	219	208.96	2.089934	0.737133	10	7.37
2013	179.6	239	227.12	2.271563	0.820468	11	9.03
A= Sum of the product column							33.72
B= 6 Times of A							202.35
C= (n-1)*n*(2n-1) where n= No of years of data=12							3036.00
D=B/C							0.07
g(Exponential factor)= Exponential (D)-1							0.07
e=Annual Escalation Rate (%)=g*100							**6.89**

For the purpose of determining the normative O & M expenses for FY15, the Commission has considered the following:

a) The actual O & M expenses allowed for FY13 inclusive of contribution to Pension and Gratuity Trust.
b) 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 FY13.
c) The inflation factor at 6.89% as computed above.
d) Efficiency factor at 1% as considered in the earlier two control periods.

Accordingly, the normative O & M expenses for FY15 are as follows:

TABLE – 5.10
Approved O & M Expenses for FY15

Particulars	FY15
No. of Installations	2063968
Inflation based on 80% of CPI and 20% of WPI	6.89%
CGI based on 3 Year CAGR	3.96%
Actual O & M expenses for FY13	260.07
O&M expenses for FY15	**315.06**

Thus, the Commission decides to approve O&M expenses of Rs.315.06 Crores for FY15.

5.2.6 Depreciation:

MESCOM has claimed depreciation of Rs.64.72 Crores for FY15. The depreciation projected by MESCOM for FY15 is as follows:

TABLE – 5.11

Depreciation for FY15 – MESCOM's Proposal

Particulars	FY-15
Opening Gross Fixed Asset (GFA)	1342.90
Add: Additions during the year	228.19
Less: Retirement	34.68
Closing GFA	1536.41
Net Depreciation for FY15	**64.72**

MESCOM has stated that the above depreciation is computed after deducting the depreciation on account of assets created from consumer contribution and grants.

Commission's Analysis and Decision:

In accordance with the provisions of the MYT Regulations and its amendment, the Commission has determined the depreciation for FY15 considering the following:

a) The actual rate of depreciation of assets category wise is determined considering the depreciation and gross block of opening and closing balance of fixed assets as per audited accounts for FY13.
b) This actual rate of depreciation is considered on the gross block of fixed assets projected by MESCOM in its filing.
c) The depreciation on account of assets created out of consumer contribution / subsidies are considered as proposed by MESCOM.

Accordingly, the depreciation for FY15 is as follows:

TABLE – 5.12

Approved Depreciation for FY15

Amount in Rs. Crs

Particulars	FY15
Buildings	1.07
Civil	0.12
Other Civil	0.02
Plant & M/c	16.91
Line, Cable Network	63.54
Vehicles	0.05
Furniture	0.16
Office Equipments	0.03
Sub Total	**81.90**
Less: Depreciation withdrawn on account of assets created by Consumer contribution/grants	20.14
Net Depreciation	**61.76**

The Depreciation withdrawn on account of assets created by Consumer contribution/grants is computed based on the opening and closing balance of these assets as per latest available audited accounts for FY13 and the projected balance for FY14 & FY15 being carried forward as proposed by MESCOM. The Commission decides to approve an amount of Rs.61.76 Crores towards depreciation for FY15.

5.2.7 Interest and Finance Charges:

MESCOM has claimed Interest and Finance charges of Rs.143.82 Crores for FY15 is as follows:

TABLE – 5.13

Interest and finance charges for FY15- MESCOM's Proposal

Amount in Rs.Crs.

Particulars	FY15
Interest on Loans	62.98
Interest on Working Capital	44.25
Interest on Consumers Deposit	35.81
Other Interest & Finance Charges	2.85
Less Interest and other expenses capitalised	2.07
Total Interest & Finance Charges	**143.82**

5.2.8 Interest on Loans:

MESCOM has requested to approve interest on loans of Rs. 62.98 Crores for FY15. The data as per Format D9 are as follows:

TABLE – 5.14

Interest on Loan for FY15 – MESCOM's Proposal

Amount in Rs.Crs.

Particulars	FY15
Opening balance of loans	485.46
Addition of new loans	155.38
Less repayment	98.67
Closing balance of loans	542.17
Interest on loan	**62.98**

Commission's Analysis and Decision:

As per APR of FY13, MESCOM had incurred weighted average rate of interest of 11.74% on long term loans. The proposed interest of Rs.62.98 Crores on the projected average loan of Rs.513.82 Crores results in a weighted average rate of interest of 12.26%. This rate of interest of 12.26%

is considered as comparable to the prevailing interest rates and hence considered for the purpose of projecting the interest on loans for FY15.

The approved interest on loans for FY15 is as follows:

TABLE – 5.15

Approved Interest on Loans for FY15

Amount in Rs. Crs

Particulars	FY15
Opening balance of Loans	485.46
Add new Loans	155.38
Less Repayments	98.67
Total loan at the end of the year	542.17
Average Loan	513.82
Approved Interest on long term loans	**62.98**

5.2.9 Interest on Working Capital:

MESCOM has claimed interest on working capital of Rs.44.25 Crores for FY15.

TABLE – 5.16

Interest on Working Capital-MESCOM's Proposal

Amount in Rs.Crs

Particulars	FY15
One-twelfth of the amount of O&M Exp.	28.98
Opening GFA	1819.57
Stores, materials and supplies 1% of Opening balance of GFA	18.20
One-sixth of the Revenue	337.61
Total Working Capital	384.79
Rate of Interest (% p.a.)	11.50%
Interest on Working Capital	**44.25**

Commission's Analysis and Decision:

As per the norms specified under the MYT Regulations, the Commission has computed the interest on working capital which consists of one month's O & M expenses, 1% of opening GFA and two month's revenue.

The Commission has considered the rate of interest at 11.75% p.a. Accordingly, the approved interest on working capital is as follows:

TABLE – 5.17

Approved Interest on Working Capital for FY15

Amount in Rs. Crs

Particulars	FY15
One-twelfth of the amount of O&M Exp.	26.25
Opening GFA	1709.78
Stores, materials and supplies 1% of Opening balance of GFA	17.10
One-sixth of the Revenue	342.50
Total Working Capital	385.85
Rate of Interest (% p.a.)	11.75%
Interest on Working Capital	**45.34**

The Commission decides to approve interest on Working capital at Rs.45.34 Crores for FY15.

5.2.10 Interest on Consumer Deposit:

MESCOM in its filing has claimed an amount of Rs.35.81 Crores for FY15 as approved by the Commission in its Tariff Order dated 6th May 2013.

TABLE – 5.18

Interest on Consumer Deposits –MESCOM's Proposal

Amount in Rs.Crs

Particulars	FY15
Average consumer deposits for FY15	376.90
Rate of Interest at bank rate to be allowed as per regulations	9.50%
Interest on Consumer Deposits	**35.81**

Commission's Analysis and Decision:

In accordance with the KERC (Interest on Security Deposit) Regulations 2005, the interest rate to be allowed is the bank rate prevailing on the 1st of April of the relevant year. As per Reserve Bank of India notification dated 28th January 2014,the bank rate is 9%. Accordingly, the Commission has considered the present bank rate of 9.00% per annum as on 1st April, 2014 for computation of interest on consumer deposits.

The Commission has considered the deposits as per audited accounts of FY13 and projected deposits for FY14 & FY15 by MESCOM and has computed the allowable interest on consumer deposits.

TABLE – 5.19

Approved Interest on Consumer Deposits for FY15

Amount in Rs. Crs

Particulars	FY15
Average consumer deposits for FY15	376.91
Rate of Interest at bank rate to be allowed as per regulations	9.00%
Approved Interest on Consumer Deposits	**33.92**

Thus the Commission decides to approve an amount of Rs.33.92 Crores as interest on consumer deposit for FY15.

5.2.11 Other Interest and Finance Charges:

MESCOM has claimed an amount of Rs.2.85 Crores towards other interest and finance charges which includes charges payable to banks / financial institutions. Keeping in view the expenditure on this item in the earlier years, the Commission decides to consider the same for the purpose of ARR.

5.2.12 Interest and other expenses Capitalised

MESCOM has claimed an amount of Rs.2.07Crores towards capitalization of interest and other expenses. The Commission decides to accept the same.

The abstract of approved interest and finance charges for FY15 are as follows:

TABLE – 5.20

Approved Interest and finance charges for FY15

Amount in Rs.Crs.

Particulars	FY15
Interest on Loans	62.98
Interest on Working Capital	45.34
Interest on Consumers Deposit	33.92
Other Interest & Finance Charges	2.85
Less Interest & other expenses capitalised	2.07
Total Interest & Finance Charges	**143.02**

5.2.13 Return on Equity:

MESCOM in its filing has computed the RoE of Rs.63.89 Crores for FY15 considering an equity of Rs.329.74 Crores.

Commission's analysis and decision:

The Commission has considered the actual amount of share capital and reserves & surplus as per the audited accounts for FY13 as base values for arriving at the allowable RoE for FY15. Further, the Commission, in accordance with the provisions of the MYT Regulations has considered 15.5% of Return on Equity duly grossed up with the applicable Minimum Alternate Tax (MAT) of 20.00775%. This works out to 19.377% per annum. Thus, the approved Return on Equity for FY15 are as follows:

TABLE – 5.21

Approved RoE for FY14-16

Amount in Rs.Crs.

Particulars	FY15
Paid Up Share Capital	191.07
Reserves and Surplus	112.13
Total Equity	303.20
Approved RoE with MAT	**58.75**

The Commission decides to approve RoE of Rs.58.75 Crores for FY15.

5.2.14 Other Income:

MESCOM has claimed an amount of Rs.20.13 Crores as other income for FY15. The other income mainly includes income from incentives, miscellaneous recoveries, interest on bank deposits, rent from staff quarters and sale of scrap. The actual other income as per the audited accounts for FY12 &FY13 is Rs.44.32 Crores and Rs.25.32 Crores respectively.Hence, the Commission decides to approve an amount of Rs.40.00 Crores as other income for FY15.

5.2.15 Fund towards Consumer Relations / Consumer Education:

The Commission has been allowing an amount of Rs.0.50 Crore per year towards consumer relations / consumer education. This provision has been specifically made by the Commission to enable MESCOM to conduct consumer awareness and grievance redressal meetings periodically and institutionalize a mechanism for addressing common problems of the consumers. The Commission has already issued guidelines for consumer education and grievance redressal activities.

The Commission decides to continue providing an amount of Rs.0.50 Crore for FY15 towards meeting expenditure on consumer relations / consumer education.

The Commission directs MESCOM to furnish a detailed plan of action for utilization of this amount within two months from the date of issue of this Tariff Order and also maintain a separate account of these funds and furnish the same at the time of APR.

5.3 Abstract of ARR for FY15:

In the light of the above analysis and decisions of the Commission, the following is the approved ARR for the control period FY15:

TABLE – 5.22

Approved consolidated ARR for FY15

Amount in Rs.Crs.

Sl. No	Particulars	FY15
	Revenue at existing tariff	
1	Revenue from tariff and Misc. Charges	1666.12
2	Tariff Subsidy	388.88
3	**Total Revenue**	**2055.00**
	Expenditure	
4	Power Purchase Cost	1417.09
5	Transmission charges of KPTCL	180.52
6	SLDC Charges	2.05
7	**Power Purchase Cost including cost of transmission**	**1599.66**
8	Employee Cost	
9	Repairs & Maintenance	
10	Admin & General Expenses	
11	**Total O&M Expenses**	**315.06**
12	Depreciation	61.76
	Interest & Finance charges	
13	Interest on Loans	62.98
14	Interest on Working capital	45.34
15	Interest on belated payment on PP Cost	
16	Interest on consumer deposits	33.92
17	Other Interest & Finance charges	2.85
18	Less interest capitalised	2.07
19	**Total Interest & Finance charges**	143.02
20	Other Debits	0
21	Net Prior Period Debit/Credit	0
22	Return on Equity	58.75
23	Funds towards Consumer Relations/Consumer Education	0.50
24	Other Income	40.00
25	**ARR**	**2138.74**
26	Deficit of FY13 carried forward	-173.72
	Net ARR with deficit of FY13	**2312.46**

5.4 Segregation of ARR into ARR for Distribution Business and ARR for Retail Supply Business:

MESCOM's Proposal:

MESCOM in its filing has segregated the consolidated ARR into ARR for Distribution Business and ARR for Retail Supply Business as follows:

TABLE – 5.23

Segregation of ARR- MESCOM's Proposal

Particulars	Distribution Business	Retail Supply Business
Payable to Generators	0	100%
Repair & Maintenance	73%	27%
Employee Cost	38%	62%
A&G expenses	37%	63%
Depreciation & related Debits	78%	22%
Interest & Finance charges	78%	22%
Other Debits	0%	100%
Income Tax	100%	0%
Prior Period Credit/Charges	0%	100%
Interest on Consumer Deposits	0%	100%
GFA	78%	22%
NFA	78%	22%
CWIP	100%	0%
Non Tariff Income	19%	81%

The Commission, in its Tariff Order dated 6th May 2013 had observed that the above matrix suggested by MESCOM was not formulated on any justifiable basis and hence decided to continue the ratio of segregation as given below for FY15:

TABLE – 5.24

Approved Segregation of ARR

Particulars	Distribution Business	Retail Supply Business
O&M	39%	61%
Depreciation	84%	16%
Interest on Loans	100%	0%
Interest on Consumer Deposits	0%	100%
RoE	78%	22%
GFA	84%	16%
Non Tariff Income	7%	93%

Accordingly, the following is the approved ARR for Distribution Business and Retail supply business:

TABLE – 5.25
APPROVED REVISED ARR FOR DISTRIBUTION BUSINESS

Amount in Rs.Crs.

Sl. No	Particulars	FY15
1	R&M Expenses	
2	Employee Expenses	
3	A&G Expenses	122.87
4	Depreciation	51.87
	Interest & Finance Charges	
5	Interest on Loan Capital	62.98
6	Interest on Working Capital	45.34
7	Interest on Consumer Deposits	0.00
8	Other Interest & Finance Charges	2.85
9	Less: Interest & other expenses capitalised	2.07
10	Other Debits (incl. Prov for Bad debts)	0.00
11	Extraordinary Items	
12	Other (Misc.)-net prior period credit	
13	**Total**	283.84
14	Return on Equity	45.83
15	Other Income	2.80
16	Provision for taxes	0.00
17	**NET ARR**	**326.87**

TABLE – 5.26
APPROVED REVISED ARR FOR RETAIL SUPPLY BUSINESS

Amount in Rs.Crs.

Sl. No	Particulars	FY15
1	Power Purchase including SLDC charges	1599.66
2	R&M Expenses	
3	Employee Expenses	
4	A&G Expense	192.18
5	Depreciation	9.88
	Interest & Finance Charges	
6	Interest on Loan Capital	0.00
7	Interest on Working Capital	0.00
8	Interest on Consumer Deposits	33.92
9	Other Interest & Finance Charges	0.00
10	Less: Interest & other expenses capitalised	0.00
11	Other Debits (incl. Prov for Bad debts)	0.00
12	Extraordinary Items	0.00
13	Other (Misc.)-net prior period credit	0.00
14	**Total**	1835.65
15	Return on Equity	12.93
16	Other Income	37.20
17	Provision for taxes	0.00
18	Fund towards Consumer Relations / Consumer Education	0.50
19	**NET ARR**	**1811.87**

5.5 Gap in Revenue for FY15:

As discussed above, the Commission decides to approve the Annual Revenue Requirement (ARR) of MESCOM for its operations in FY15 at Rs.2138.74 Crores as against MESCOM's application proposing an ARR of Rs.2221.63 Crores. In addition, an amount of Rs.173.72 Crores which is determined as the deficit in FY13 as discussed in Chapter-4 of this Order also needs to be taken into account for determining the total revenue requirement for FY15. Together with this deficit carried over from FY13, the ARR for FY15 is determined at Rs.2312.46 Crores. Considering an estimated revenue for FY15 at the existing retail supply tariff, the total realisation of revenue will be Rs.2055 Crores which is Rs.257.46 Crores less than the projected revenue requirement for the year.

As seen from the detailed analysis in Chapter-4 of this Order, the revenue gap in FY13 was mainly on account of the steep increase in the power purchase cost from Rs.3.20 per unit as estimated to Rs.3.59 per unit as actually incurred. Partly, it was also due to shortfall in the sale of power by ESCOMs to different categories of consumers. In view of the extraordinary factors which contributed to the deficit in FY13 and considering the likely increase in the cost of service during FY15, the Commission has decided to treat part of the projected revenue gap for FY15 as regulatory asset to be realised in the tariff of the future years. Thus, out of the total revenue gap of Rs.257.46 Crores for FY15, the Commission decides to set aside an amount of Rs.101.02 Crores as regulatory asset to be recovered in the tariff over the next two years (FY16 and FY17). The Commission also decides to allow carrying cost at 12 % per annum on the amount of regulatory asset which will be assessed at the time of the Annual Performance Review (APR) of FY15 and FY 16. The balance amount of Rs.156.44 Crores is proposed to be realised as additional revenue by revision of tariff for different categories of consumers during FY15 .

The net ARR and the gap in revenue for FY15 are shown in the following table:

TABLE – 5.27
Revenue Gap for FY15

Particulars	FY15
Net ARR including carry forward gap of FY13 (in Rs. Crores)	2312.46
Approved sales (in MU)	4192.99
Average cost of supply for FY15 (in Rs./unit)	5.52
Revenue at existing tariff (in Rs. Crores)	2055.00
Gap in revenue for FY15 (in Rs. Crores)	257.46
Regulatory asset to be recovered over next two years (in Rs. Crores)	101.02
Balance revenue gap to be collected by revision of tariff for FY15 (in Rs. Crores)	156.44

The determination of revised retail supply tariff on the basis of the above approved ARR is detailed in the following Chapter. The additional revenue from the revision of tariff to different categories of consumers other than IP sets and BJ/KJ households is estimated at Rs.95.97 Crores. In respect of the electricity supplied for irrigation pump sets and BJ/KJ households, the State Government shall contribute a subsidy of Rs.60.47 Crores to MESCOM.CHAPTER – 6

DETERMINATION OF TARIFF FOR FY15

6.0 MESCOM'S Proposal and Commission's Analysis for FY15:

6.1 Tariff Application

As discussed in the preceding Chapters, MESCOM has projected an unmet gap in revenue of Rs.196.98 Crores for FY15. In order to bridge this gap in revenue, MESCOM, in its Tariff Application, has proposed a tariff increase of 66 paise per unit in respect of all the categories of consumers except BJ/KJ and Irrigation Pump set consumers.

6.2 Statutory Provisions Guiding Determination of Tariff

As per Section 61 of the Electricity Act 2003, the Commission is guided inter-alia, by the National Electricity Policy, the Tariff Policy and the following factors, while, determining the tariff:

- that the distribution and supply of electricity are conducted on commercial basis;
- that competition, efficiency, economical use of resources, good performance, and optimum investment are encouraged;
- that the tariff progressively reflects the cost of supply of electricity, and also reduces and eliminates cross subsidies within the period to be specified by the Commission;

- that efficiency in performance is to be rewarded ; and
- that a Multi Year Tariff framework is adopted

Section 62(5) of the Electricity Act 2003, read with Section 27(1) of the KER Act 1999, empower the Commission to specify, from time to time, the methodologies and the procedure to be observed by the licensees in calculating the Expected Revenue from Charges (ERC). The Commission determines the Tariff in accordance with the Regulations and the Orders issued by the Commission from time to time.

6.3 Consideration for Tariff Setting:

The Commission has considered the following relevant factors for determination of Retail Supply Tariff:

a) **Tariff Philosophy**:

As discussed in the earlier tariff orders, the Commission continues to fix tariff below the average cost of supply for consumers whose ability to pay is considered inadequate and fix tariff at or above the average cost of supply for categories of consumers whose ability to pay is considered to be higher. As a result the system of cross subsidy continues. However, the Commission has taken due care to progressively bring down the cross subsidy levels as envisaged in the Tariff Policy of the Government of India dated 6th January 2006.

b) **Average Cost of Supply:**

The Commission has been determining the retail supply tariff on the basis of the average cost of supply. The KERC (Tariff) Regulations, 2000 require the licensees to provide details of embedded cost of electricity voltage / consumer category wise. The distribution network of Karnataka is such that, it is difficult to segregate the common cost between voltage levels. Therefore, the Commission has decided to continue the average cost of supply approach for recovery of the ARR.

c) **Differential Tariff:**

Beginning with its tariff order dated 25th November 2009 the Commission has been determining differential retail supply tariff for consumers in urban and rural areas. The Commission decides to continue the same in the present order also.

6.4 Revenue at existing tariff and deficit for FY15:

The Commission in its preceding Chapters has decided the ARR of FY15. Further, the Commission has decided to set aside Rs.101.02 Crores as Regulatory Asset. The balance unmet gap in revenue for FY15 is proposed to be filled up by revision of Retail Supply Tariff as discussed in the following paragraphs of this Chapter.

Considering the approved ARR for FY15 and the revenue as per the existing tariff, the gap in revenue for FY15 is as follows:

TABLE – 6.1

Revenue Deficit for FY15

Amount Rs. in Crs.

Particulars	Amount
Approved Net ARR for FY15 including gap of FY13	2312.46
Revenue at existing tariff	2055.00
Surplus / deficit	-257.46
Regulatory Asset set aside	101.02
Additional Revenue to be realised by Revision of Tariff	156.44

Accordingly, in this Chapter, the Commission has proceeded to determine the retail supply tariff for FY15. The category-wise tariff as existing, as proposed by MESCOM and as approved by the Commission are as follows:

1. <u>**LT-1 Bhagya Jyothi**</u>

The existing tariff and the tariff proposed are given below:

Sl. No	Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
1	Energy charges (including recovery towards service main charges)	492 Paise / Unit Subject to a monthly minimum of Rs. 30 per installation per month.	492 Paise / Unit Subject to a monthly minimum of Rs. 30 per installation per month.

Commission's Views/ Decision

The GoK, as a policy, has extended free power to all BJ/KJ consumers, whose consumption is not more than 18 units per month. The tariff payable by these consumers is revised to Rs.5.28 per unit.

Further, the ESCOMs have to claim subsidy for only those consumers who consume 18 units or less per month per installation. If the consumption exceeds 18 units per month or any BJ/KJ installation is found to have more than one out let, it shall be billed as per the Tariff Schedule LT 2(a).

The Commission determines the tariff (CDT) in respect of BJ / KJ installations as follows:

LT – 1 Approved Tariff for BJ / KJ installations

Commission determined Tariff	Retail Supply Tariff determined by the Commission
528 paise per unit, Subject to a monthly minimum of Rs. 30 per installation per month.	-Nil- Fully subsidized by GoK

***Since GOK is meeting the full cost of supply to BJ / KJ, the Tariff payable by these Consumers is shown as Nil. However, if the GOK does not release the subsidy in advance, a Tariff of Rs. 5.28 per unit subject to a monthly minimum of Rs. 30/- per Installation per month shall be demanded and collected from these Consumers.**

Note: If the consumption exceeds 18 units per month or any BJ/KJ installation is found to have more than one light point being used, it shall be billed as per Tariff Schedule LT 2(a).

2. <u>LT 2 - Domestic Consumers</u>:

MESCOM's Proposal:

The details of the existing and proposed tariff under this category are given in the Table below:

Proposed Tariff for LT-2 (a)

LT-2 a (i) Domestic Consumers Category

Applicable to areas coming under City Municipal Corporation and all areas under Urban Local Bodies

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	For the first KW Rs.25	For the first KW Rs.25
	For every additional KW Rs.35	For every additional KW Rs.35
Energy Charges 0-30 units (**life line Consumption**)	0 to 30 units 250 paise/unit	0 to 30 units 316 paise /unit
Energy Charges exceeding 30 Units per month	31 to 100 units 370 paise/unit	31 to 100 units 436 paise / unit
	101 to 200 units 485 paise /unit	101 to 200 units 551 paise /unit
	Above 200 units 585 paise /unit	Above 200 units 651 paise /unit

LT-2 (a) (ii) Domestic Consumers Category

Applicable to Areas under Village Panchayats

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed charges per Month	For the first KW Rs.15	For the first KW Rs.15
	For every additional KW Rs.25	For every additional KW Rs.25
Energy Charges 0-30 units (**life line Consumption**)	0 to 30 units 240 paise /unit	0 to 30 units 306 paise /unit
Energy Charges exceeding 30 Units per month	31 to 100 units 340 paise / unit	31 to 100 units 406 paise / unit
	101 to 200 units 455 paise /unit	101 to 200 units 521 paise /unit
	Above 200 units 535 paise /unit	Above 200 units 601paise /unit

Commission's Views/ Decision

During the public hearing representation have been received to provide electricity to Fodder Choppers & Milking Machines under domestic category, considering the requests, the Commission decides to include the electricity used for Fodder Choppers & Milking Machines with a connected load up to 1 HP under this category.

The Commission has decided to continue the two tier tariff structure in respect of the domestic consumers as shown below:

(i) Areas coming under city Municipal Corporations and all Urban Local Bodies

(ii) Areas under Village Panchayats.

The Commission approves the tariff for this category as follows:

Approved Tariff for LT 2 (a) (i) Domestic Consumers Category:

Applicable to Areas coming under City Municipal Corporations and all areas under Urban Local Bodies

Details	Tariff approved by the Commission
Fixed charges per Month	For the first KW Rs. 25/-
	For every additional KW Rs. 35/-
Energy Charges up to 30 Units per month (0-30 Units)-**life line consumption.**	Up to 30 units: 270 paise/unit
Energy Charges in case the Consumption exceeds 30 Units per month	31 to 100 units: 400 paise/unit
	101 to 200 units: 525 paise/unit
	Above 200 units: 625 paise/unit

LT-2(a)(ii) Domestic Consumers Category:

Applicable to Areas under Village Panchayats

Details	Tariff approved by the Commission
Fixed Charges per Month	For the first KW Rs. 15/-
	For every additional KW Rs.25/-
Energy Charges up to 30 Units per month (0-30 Units)- **Lifeline Consumption**	Up to 30 units: 260 paise/unit
Energy Charges in case the Consumption exceeds 30 Units per month	31 to 100 units: 370 paise/unit
	101 to 200 units: 495 paise/unit
	Above 200 units: 575 paise/unit

3. LT2 (b) Private Professional Educational Institutions & Pvt. Hospitals and Nursing Homes

MESCOM's Proposal:

The details of the existing and the proposed tariff under this category are given in the Table below:

LT 2 (b) Private and Professional Educational Institutions & Pvt. Hospitals and Nursing Homes
LT 2 (b) (i) Applicable to all areas coming under urban Local Bodies including Municipal Corporations

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed charges per Month	Rs.35 Per KW subject to a minimum of Rs.65 PM	Rs.35 Per KW subject to a minimum of Rs.65 PM
Energy Charges	For the first 200 units: 570 paise per unit	For the first 200 units: 636 paise per unit
	For the balance units: 670 paise per unit	For the balance units: 736 paise per unit

LT 2 (b) (ii) Applicable in Areas under Village Panchayats

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed charges per Month	Rs.25 Per KW subject to a minimum of Rs.50 PM	Rs.25 Per KW subject to a minimum of Rs.50 PM
Energy Charges	For the first 200 units: 520 paise per unit	For the first 200 units: 586 paise per unit
	For the balance units: 620 paise per unit	For the balance units: 686 paise per unit

Commission's Views/ Decision

As in the previous Tariff Order dated 6th May 2013, the Commission decides to continue the tariff at two levels i.e.

(i) Municipal Corporation Areas and Areas coming under Urban Local bodies.

(ii) Areas under Village Panchayats.

Approved Tariff for LT 2 (b) (i) Private Professional and other private Educational Institutions, Private Hospitals and Nursing Homes

Applicable to areas coming under City Municipal Corporations and all areas under urban Local Bodies

Details	Tariff approved by the Commission
Fixed Charges per Month	Rs. 35 Per KW subject to a minimum of Rs. 65 per Month.
Energy Charges	0-200 units: 600 paise/unit
	Above 200 units: 720 paise/unit

Approved Tariff for LT 2 (b) (ii) Private Professional and other private Educational Institutions, Private Hospitals and Nursing Homes

Applicable in Areas under Village Panchayats

Details	Tariff approved by the Commission
Fixed Charges per Month	Rs.25 Per KW subject to a minimum of Rs.50 per Month
Energy Charges	0-200 units: 550 paise/unit
	Above 200 units: 670 paise/unit

4. LT3- Commercial Lighting, Heating and Motive Power.

MESCOM's Proposal:

The existing and proposed tariff is as follows:

LT- 3 (i) Commercial Lighting, Heating & Motive Power

Applicable in areas under all Urban Local Bodies including City Municipal Corporations

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	Rs.40 per KW	Rs.40 per KW
Energy Charges	For the first 50 units: 645paise per unit	For the first 50 units: 711 paise per unit
	For the balance units: 745 paise per unit	For the balance units: 811 paise per unit

Demand based tariff (optional) where sanctioned load is above 5 KW but below 50 KW.

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges	Rs.55 per KW	Rs.55 per KW
Energy Charges	For the first 50 units: 645 paise per unit	For the first 50 units: 711 paise per unit
	For the balance units: 745 paise per unit	For the balance units: 811 paise per unit

LT-3 (ii) Commercial Lighting, Heating& Motive Power

Applicable in areas under village Panchayats

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	Rs. 30 per KW	Rs.30 per KW
Energy Charges	For the first 50 units: 595paise per unit	For the first 50 units: 661 paise per unit

	For the balance units: 695paise per unit	For the balance units: 761paise per unit

Demand based tariff (optional) where sanctioned load is above 5 KW but below 50 KW

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	Rs.45 per KW	Rs.45 per KW
Energy Charges	For the first 50 units: 595paise per unit	For the first 50 units: 661 paise per unit
	For the balance units: 695paise per unit	For the balance units: 761 paise per unit

Commission's Views/ Decision.

As in the previous Tariff Order dated 6th May, 2013, the Commission decides to continue tariff at two levels i.e.

(i) Municipal Corporation areas and areas coming under other urban local bodies

(ii) Areas under Village Panchayats

LT- 3 (i) Commercial Lighting, Heating& Motive Power

Applicable to areas under all urban local bodies including Municipal Corporations

Details	Approved by the Commission
Fixed Charges per Month	Rs. 40 per KW
Energy Charges	For the first 50 units: 675 paise/ unit
	For the balance units: 775 paise/unit

Demand based tariff (Optional) where sanctioned load is above 5 kW but below 50 kW.

Details	Approved by the Commission
Fixed Charges per Month	Rs. 55 per KW
Energy Charges	For the first 50 units: 675 paise /unit
	For the balance units 775 paise/unit

LT-3 (ii) Commercial Lighting Heating& Motive Power
Applicable to areas under Village Panchayats

Details	Approved by the Commission
Fixed Charges per Month	Rs. 30 per KW
Energy Charges	For the first 50 units: 675 paise per unit
	For the balance units: 725 paise per unit

Demand based tariff (Optional) where sanctioned load is above 5 kW but below 50 kW

Details	Approved by the Commission
Fixed Charges per Month	Rs.45 per KW
Energy Charges	For the first 50 units: 625 paise per unit
	For the balance units: 725 paise per unit

5. **LT4-Irrigation Pump Sets**:

MESCOM's Proposal:

The existing and proposed tariff for LT4 (a) is as follows:

LT-4 (a) Irrigation Pump Sets
Applicable to IP sets up to and inclusive 10 HP

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	Nil	Free (In case GoK does not release the subsidy in advance, CDT of 336 paise per unit will be demanded and collected from Consumers)
Energy Charges	CDT 336 paise per unit	

Commission's Views/ Decision

The Government of Karnataka has extended free supply of power to farmers as per Government Order No.EN 55 PSR 2008 dated 04.09.2008. As per this policy of GoK, the entire cost of supply to IP sets up to and inclusive of 10 HP is being borne by the GoK through tariff subsidy. In view of this all the categories under the existing LT-4a tariff are covered under free supply of power.

Considering the cross subsidy contribution from categories other than IP Sets & BJ/KJ Categories, the Commission determines the tariff for IP Set under LT4(a) category as follows:

Approved CDT for IP Sets for FY15

Particulars	MESCOM
Approved ARR in Rs crore	2312.46
Revenue from other than IP & BJ/KJ in Rs crore	1762.09
Amount to be recovered from IP & BJ/KJ in Rs crore	449.35
Regulatory Asset Rs.in Crs	101.02
Approved Sales to BJ/KJ in MU	15.89
Revenue from BJ/KJ at Average Cost of supply in Rs crore	8.38
Amount to be recovered from IP Sets category in Rs crore	440.97
Approved Sale to IP Sets in MU	1134.10
Commission Determined Tariff (CDT) for IP set Category for FY15 in Rs/Unit	**3.89**

Accordingly, the Commission decides to approve tariff of Rs.3.89 per unit as CDT for FY15 for IP Set category under LT4(a). In case the GoK does not release the subsidy in advance, a tariff of Rs.3.89 per unit shall be demanded and collected from these consumers.

Approved by the Commission

LT-4 (a) Irrigation Pump Sets

Applicable to IP sets up to and inclusive of 10 HP

Details	Approved by the Commission
Fixed Charges per Month	**Free**
Energy Charges	
CDT (Commission Determined Tariff): 389 paise per unit	

*** In case the GoK does not release the subsidy in advance, a tariff of Rs. 3.89 per unit shall be demanded and collected from these consumers.**

LT4 (b) Irrigation Pump Sets above 10 HP:

MESCOM's Proposal

The existing and proposed tariff for LT-4(b) is as follows:

LT-4 (b) Irrigation Pump Sets:
Applicable to IP sets above 10 HP

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	Rs. 30 per HP	Rs. 30 per HP
Energy Charges for the entire consumption	175 paise per unit	241paise per unit

The existing and proposed tariff for LT4(c) is as follows:

LT-4 (c) (i) Irrigation Pump Sets:
Applicable to Private Horticultural Nurseries, Coffee and Tea plantations up to & inclusive of 10 HP

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	Rs. 20 per HP	Rs. 20 per HP
Energy Charges	175 paise per unit	241 paise per unit

LT-4 (c) (ii) Irrigation Pump Sets:
Applicable to Private Horticultural Nurseries, Coffee and Tea plantations above 10 HP.

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	Rs. 30 per HP	Rs. 30 per HP
Energy Charges	175 paise per unit	241 paise per unit

Approved Tariff:

As in the previous Tariff Order dated 6th May 2013, the Commission decides to revise the tariff in respect of these categories as shown below:

LT-4 (b) Irrigation Pump Sets:
Applicable to IP sets above 10 HP

Fixed Charges per Month	Rs. 30 per HP per month.
Energy Charges for the entire consumption	215 paise/unit

LT4(c) (i) Irrigation Pump Sets
Applicable to Horticultural Nurseries,
Coffee, Tea & Rubber plantations up to & inclusive of 10 HP

Fixed Charges per Month	Rs. 20 per HP per month.
Energy Charges	215 paise / unit

LT4 (c)(ii) Irrigation Pump Sets
Applicable to Horticultural Nurseries, Coffee, Tea & Rubber plantations above 10 HP

Fixed Charges per Month	Rs. 30 per HP per month.
Energy Charges	215 paise/unit

6. **LT5 Installations-LT Industries:**

MESCOM's Proposal

The existing and proposed tariffs are given below:

LT-5 LT Industries:
Applicable to all areas under MESCOM

i) Fixed charges

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	i)Rs. 25 per HP for 5 HP & below ii) Rs. 30 per HP for above 5 HP & below 40 HP iii) Rs. 35 per HP for 40 HP & above but below 67 HP iv)Rs. 100 per HP for 67 HP & above	i) Rs. 25 per HP for 5 HP & below ii) Rs. 30 per HP for above 5 HP & below 40 HP iii) Rs. 35 per HP for 40 HP & above but below 67 HP iv)Rs. 100 per HP for 67 HP & above

ii) Demand based Tariff (optional)

Details	Description	Existing Tariff as per 2013 Tariff order	Proposed by MESCOM
Fixed Charges	Above 5 HP and less than 40 HP	Rs. 45 per KW of billing demand	Rs. 45 per KW of billing demand

per Month	40 HP and above but less than 67 HP	Rs. 60 per KW of billing demand	Rs. 60 per KW of billing demand
	67 HP and above	Rs. 150 per KW of billing demand	Rs. 150 per KW of billing demand

iii. Energy Charges

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
For the first 500 units	425 paise per unit	491 paise/ unit
For the next 500 units	495 paise per unit	561 paise/ unit
For the balance units	525paise per unit	591 paise/ unit

Existing ToD Tariff for LT5 : At the option of the consumers

ToD Tariff

Time of Day	Increase (+)/ reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit

Proposed TOD Tariff for LT5 : At the option of the consumer

ToD Tariff

Time of Day	Increase (+)/ reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 paise per unit

Commission's Views / Decisions:

The Government of Karnataka has requested the Commission to consider extending industrial tariff to establishments engaged in Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics/ Telecom/ BPO/KPO and other knowledge based activities. After considering the request of the GoK, the Commission decides to include Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics establishments in this category.

Time of the Day Tariff:

As per the decision of the Commission in its Tariff Orders dated 30th April, 2012 and 6th May, 2013, the mandatory Time of Day Tariff for HT2(a), HT2(b) and HT2(c) consumers with a contract demand of 500 KVA and above is continued. The optional ToD would continue as existing earlier for HT2(a), HT2(b) and HT2(c) consumers with contract demand of less than 500 KVA. Further, for LT5 and HT1 consumers, the optional ToD is continued as existing earlier.

The Commission approves the tariff under LT 5 as given below:

Approved Tariff for LT 5 :

Applicable to all the areas of MESCOM

i) Fixed charges

Details	Approved by the Commission
Fixed Charges per Month	i) Rs. 25 per HP for 5 HP & below ii) Rs. 30 per HP for above 5 HP & below 40 HP iii) Rs. 35 per HP for 40 HP & above but below 67 HP iv) Rs. 100 per HP for 67 HP & above

ii) Demand based Tariff (optional)

Fixed Charges per Month	Above 5 HP and less than 40 HP	Rs. 45 per KW of billing demand
	40 HP and above but less than 67 HP	Rs. 60 per KW of billing demand
	67 HP and above	Rs.150 per KW of billing demand

iii) Energy Charges

Details	Approved tariff
For the first 500 units	455 paise/ unit
For the next 500 units	535 paise/ unit

For the balance units	565 paise/unit

Approved TOD Tariff for LT5 :At the option of the consumer

TOD Tariff

Time of Day	Increase (+)/ reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-)125 paise per unit
06.00 Hrs to 18.00 hrs	0
18.00 Hrs to 22.00 Hrs	(+)100 paise per unit

7. <u>LT6 Water Supply Installations and Street Lights</u>

MESCOM's Proposal:

The existing and the proposed tariffs are given below:

LT-6(a) : Water Supply

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	Rs. 35/HP/month	Rs. 35/HP/month
Energy Charges	320 paise/unit	386 paise/unit

LT-6 (b) : Public Lighting

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
Fixed Charges per Month	Rs. 50/KW/month	Rs. 50/KW/month
Energy Charges	445 paise/unit	511 paise/unit

Commission's decision:

The Commission approves the tariff for this category as follows:

Tariff Approved by the Commission for LT-6 (a): Water supply

Details	Approved Tariff
Fixed Charges per Month	Rs. 35 /HP/month
Energy Charges	330 paise/unit

Tariff Approved by the Commission for LT-6 (b): Public Lighting

Details	Approved Tariff
Fixed Charges per Month	Rs. 50/KW/month
Energy Charges	485 paise/unit

8. LT 7- Temporary Installations:

MESCOM's Proposal:

The existing rate and the rate proposed are given below:

Temporary Supply

Details	Existing as per 2013 Tariff Order	Proposed by MESCOM
a) Less than 67 HP:	Energy charge at 850 paise per unit subject to a weekly minimum of Rs. 160 per KW of the sanctioned load.	Energy charge at 916 paise per unit subject to a weekly minimum of Rs. 160 per KW of the sanctioned load.

Commission's Views/Decision

As decided in the previous Tariff Order dated 6th May 2013, the tariff specified for installations with sanctioned load/contract demand above 67 HP is covered under the HT temporary tariff category under HT5. The Commission decides to approve the tariff for LT-7 category as below.

TARIFF SCHEDULE LT-7

Applicable to Hoardings & Advertisement boards, Bus Shelters with Advertising Boards, Private Advertising Posts / Sign boards in the interest of Public such as Police Canopy Direction boards, and other sign boards sponsored by the Private Advertising Agencies/firms. Temporary Power Supply of all categories

Details	Approved Tariff
Less than 67 HP:	Energy Charge at 900 paise / unit subject to a weekly minimum of Rs. 160 per KW of the sanctioned load.

9. H.T. Categories:

Time of the Tariff (ToD)

The Commission decides to continue the mandatory Time of Day Tariff for HT2 (a), HT2 (b) and HT2 (c) consumers with a contract demand of 500 KVA and above. Further, the optional ToD would continue as existing earlier for HT2 (a), HT2 (b) and HT 2(c) consumers with contract demand of less than 500 KVA. The details of ToD tariff are indicated under the respective tariff category.

10. HT1 Water Supply & Sewerage

MESCOM's Proposal:

The Existing and the Proposed tariff

Sl. No.	Details	Existing tariff as per 2013 order	Proposed tariff
1	Demand Charges	Rs. 180 / kVA of billing Demand / month	Rs. 180 / kVA for billing demand / month
2	Energy Charges	380 paise per unit	446 paise per unit

Existing ToD tariff to HT-1 tariff to Water Supply & Sewerage installations at the option of the consumer

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-) 125 Paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 Paise per unit

Proposed ToD Tariff to HT-1

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-) 125 Paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 Paise per unit

Commission's Views/Decision:

The Commission decides tariff for water supply installations as below:

The Commission approves the tariff for HT 1 Water Supply & Sewerage category as below:

Approved Tariff for HT 1

Details	Tariff approved by the Commission
Demand Charges	Rs180 / kVA of billing demand / month
Energy Charges	Rs 400 paise/ unit

Approved ToD tariff to HT-1 tariff to Water Supply & Sewerage installations at the option of the consumer

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-)125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+)100 paise per unit

11. HT2 (a) – HT Industries & HT 2 (b) – HT Commercial

MESCOM's Proposal:

The existing & proposed tariff – HT – 2 (a) - HT Industries are as follows

Applicable to all areas of MESCOM

Details	Existing tariff as per Tariff Order 2013	Proposed by MESCOM
Demand Charges	Rs. 170 / kVA of billing demand / month	Rs. 170 / kVA of billing demand / month
Energy Charges (iii) For the first one lakh units (iv) For the balance units	 535 paise per unit 565 paise per unit	 601 paise per unit 631paise per unit

Railway traction and Effluent Plants

Details	Existing tariff as per Tariff Order 2013	Proposed by MESCOM
Demand Charges	Rs. 180 / kVA at billing demand / month	Rs. 180 / kVA of billing demand / month
Energy Charges	500 paise per unit for all the units	566 paise per unit for all the units

Existing ToD Tariff to HT-2(a)

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-)125 Paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 Paise per unit

Proposed ToD Tariff to HT-2(a)

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-) 125 Paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+) 100 Paise per unit

Commission's Views / Decisions:

The Government of Karnataka has requested the Commission to consider extending industrial tariff to establishments engaged in Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics/ Telecom/ BPO/KPO and other knowledge based activities. After considering the request of the GoK, the Commission decides to include Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics establishments in this category.

Approved Tariff for HT – 2 (a)

The Commission approves the tariff for HT 2(a) category as below:

Applicable to all areas of MESCOM

Details	Approved Tariff
Demand Charges	Rs. 170/ kVA of billing demand / month
Energy Charges	
For the first one lakh units	570 paise/ unit
For the balance units	600 paise/ unit

Railway Traction & Effluent Treatment Plants

Details	Tariff approved by the Commission
Demand Charges	Rs180 / kVA of billing demand / month
Energy Charges	Rs 540 paise / unit for all the units

12. HT-2 (b) HT Commercial

MESCOM's Proposal:

Existing and proposed tariff for HT – 2 (b)-HT Commercial

Applicable to all areas of MESCOM

Details	Existing tariff as per Tariff Order 2013	Proposed by MESCOM
Demand Charges	Rs. 190 / kVA of billing demand / month	Rs. 190 / kVA of billing demand / month
Energy Charges		
(i) For the first two lakh units	675 paise per unit	741 paise per unit
(ii) For the balance units	705 paise per unit	771 paise per unit

Commission's Views/Decision

The Commission approves the following tariff for HT 2 (b) consumers:

Approved tariff for HT – 2 (b) - HT Commercial

Applicable to all areas of MESCOM

Details	Tariff approved by the Commission
Demand Charges	Rs. 190 / kVA of billing demand / month
Energy Charges	
(i) For the first two lakh units	715 paise per unit
(ii) For the balance units	745 paise per unit

Note: The above tariff under HT2 (b) is not applicable for construction of new industries. Such power supply shall be availed under the new temporary category HT5.

13 HT – 2 (c) – Applicable to Hospitals and Educational Institutions:

Existing and proposed Tariff for HT – 2 (c) (i)

Applicable to Government Hospitals & Hospitals run by Charitable Institutions & ESI Hospitals
and

Educational Institutions belonging to Government, Local Bodies and Aided Institutions and Hostels of all Educational Institutions

Details	Existing Tariff as per Tariff Order 2013	Proposed by MESCOM
Demand Charges	Rs. 170 / kVA of billing demand / month	Rs. 170 / kVA of billing demand / month
Energy Charges		
(i) For the first one lakh units	500 paise per unit	566 paise per unit
(ii) For the balance units	550 paise per unit	616 paise per unit

Existing and proposed tariff for HT – 2 (c) (ii)

Applicable to Hospitals/Educational Institutions

other than those covered under HT2(c) (i)

Details	Existing Tariff as per Tariff Order 2013	Proposed by MESCOM
Demand Charges	Rs. 170 / kVA of billing demand / month	Rs. 170 / kVA of billing demand / month
Energy Charges		
(i) For the first one lakh units	600 paise per unit	666 paise per unit
(ii) For the balance units	650 paise per unit	716 paise per unit

Commission's Views / Decisions:

The Commission approves the following tariff for HT2(b) consumers.

Approved tariff for HT – 2 (c) (i)

Applicable to Government Hospitals & Hospitals run by Charitable Institutions & ESI Hospitals

and

Universities, Educational Institutions belonging to Government, Local Bodies and Aided Institutions and Hostels of all Educational Institutions

Details	Tariff approved by the Commission
Demand Charges	Rs. 170 / kVA of billing demand / month
Energy Charges	
(i) For the first one lakh units	540 paise per unit
(ii) For the balance units	590 paise per unit

Approved tariff for HT – 2 (c) (ii) -

Applicable to Hospitals and Educational Institutions

other than those covered under HT2(c) (i)

Details	Tariff approved by the Commission
Demand Charges	Rs. 170 / kVA of billing demand / month
Energy Charges	
(i) For the first one lakh units	640 paise per unit
(ii) For the balance units	690 paise per unit

Time of the Day Tariff:

Approved TOD Tariff to HT-2(a), HT- 2(b) and HT2(c)

Time of day	Increase (+) / reduction (-) in the energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs next day	(-) 125 Paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	(+)100 Paise per unit

14. HT-3(a) Lift Irrigation Schemes under Government Departments / Government owned Corporations/ Lift Irrigation Schemes under Private /Societies:

MESCOM's Proposal:

The existing and proposed tariff for HT – 3 (a) –Lift Irrigation Schemes are given below

HT 3(a) (i) Applicable to LI Schemes under Government Departments / Government owned Corporations

Details	Existing charges as per Tariff Order 2013	Proposed charges by MESCOM
Energy Charges/ minimum Charges	150 paise / unit Subject to an annual minimum of Rs.1000 per HP / annum	216 paise / unit Subject to an annual minimum of Rs. 1000 per HP / annum

HT 3(a) (ii) Applicable to Pvt. LI Schemes and Lift Irrigation Societies fed through Express / Urban feeders

Details	Existing Tariff	Proposed by MESCOM
Fixed charges	Rs. 30 / HP / Month of sanctioned load	Rs. 30 / HP / Month of sanctioned load
Energy charges	110 paise / unit	176 paise / unit

HT 3(a) (iii) Applicable to Private LI Schemes and Lift Irrigation Societies other than those covered under HT-3 (a) (ii)

Details	Existing Tariff	Proposed by MESCOM
Fixed Charges	Rs. 10 / HP / Month of sanctioned load	Rs. 10 / HP / Month of sanctioned load
Energy Charges	110 paise / unit	176 paise / unit

Commission's decision:

The Commission approves the Tariff for this category as follows:-

Approved tariff for HT 3 (a) (i)

Applicable to LI schemes under Govt. Dept. / Govt. owned Corporations

Energy Charges / Minimum Charges	150 paise/ unit subject to an annual minimum of Rs. 1000 per HP / annum

Approved tariff for HT 3 (a) (ii)

Applicable to Private Lift Irrigation Schemes and Lift Irrigation Societies fed through express / urban feeders

Fixed Charges	Rs. 30 / HP / Month of sanctioned load
Energy Charges	150 paise / unit

Approved tariff for HT 3 (a) (iii)

Applicable to Private Lift Irrigation and Lift Irrigation Societies other than those fed through express/ urban feeders

Fixed Charges	Rs. 10 / HP / Month of sanctioned load
Energy Charges	150 paise / unit

HT3 (b) Irrigation & Agricultural Farms, Government Horticulture farms, Private Horticulture Nurseries, Coffee, tea, Coconut & Arecanut Plantations:

MESCOM's Proposal:

The existing and the proposed tariff are given below:

HT3 (b)- Irrigation & Agricultural Farms, Government Horticulture farms, Private Horticulture Nurseries, Coffee, tea, Coconut & Areca nut Plantations:

Details	Existing Tariff as per Tariff Order 2013	Proposed tariff by MESCOM
Energy Charges / Minimum Charges	320 paise / unit subject to an annual minimum of Rs. 1000 per HP of sanctioned load	386 paise / unit subject to an annual minimum of Rs. 1000 per HP of sanctioned load

Commission's decision:

The Commission approves the tariff as indicated below:

Approved Tariff

HT3 (b)- Irrigation & Agricultural Farms, Government Horticulture farms, Private Horticulture Nurseries, Coffee, tea, Rubber, Coconut & Arecanut Plantations:

Details	Approved Tariff
Energy Charges / Minimum Charges	350 paise / unit subject to an annual minimum of Rs.1000 per HP of sanctioned load

15. <u>HT4- Residential Apartments/ Colonies</u>

MESCOM's Proposal:

The existing & proposed tariff for this category is given below:

Existing and proposed tariff for HT – 4 - Residential Apartments/ Colonies

Applicable to all areas of MESCOM

Details	**Existing tariff as per Tariff Order 2013**	**Proposed tariff by MESCOM**
Demand Charges	Rs. 100 / kVA of billing demand	Rs. 100 / kVA of billing demand
Energy Charges	490 paise per unit	556 Paise/ unit

Commission's decision

The approved Tariff is as follows:-

Approved tariff
HT – 4 Residential Apartments/ Colonies Applicable to all areas of MESCOM

Demand Charges	Rs. 100 / kVA of billing demand
Energy Charges	530 Paise/ unit

16. *TARIFF SCHEDULE HT-5*

MESCOM's Proposal:

The existing & proposed tariff for this category is given below:

HT – 5 – Temporary supply

67 HP and above:	**Existing**	**Proposed**
Fixed Charges / Demand Charges	Rs.210/HP/month for the entire sanction load / contract demand	Rs.210/HP/month for the entire sanction load / contract demand
Energy Charge	850 paise / unit (weekly minimum of Rs.160/- per KW is not applicable)	916 paise / unit (weekly minimum of Rs 160/- is not applicable)

Commission's Views/Decisions:

TARIFF SCHEDULE HT-5

As approved in the Commission Tariff Order, dated 6th May 2013, this tariff is applicable to 67 HP and above hoardings and advertisement boards and construction power for industries but excluding those category of consumers covered under HT2(b) Tariff schedule availing power supply for construction power for irrigation, power projects and Konkan railway projects and also applicable to power supply availed on temporary basis with the contract demand of 67 HP and above of all categories.

Approved Tariff for HT – 5 – Temporary supply

67 HP and above:	**Approved Tariff**
Fixed Charges / Demand Charges	Rs. 210 /HP/month for the entire sanction load / contract demand
Energy Charge	900 paise / unit

The Approved Tariff schedule for FY15 is enclosed in **Annex** III of this Order.

6.5 Other Issues

1) Tariff for Green Power:

In order to encourage generation and use of green power in the State, the Commission decides to continue the existing Green Tariff of 50 paise per unit as the additional tariff over and above the normal tariff to be paid by HT-consumers, who opt for supply of Green power from out of the renewable energy procured by distribution utilities over and above their Renewable Purchase Obligation (RPO).

6.6 Determination of wheeling charges

Wheeling

MESCOM in their filling has proposed the following wheeling charges for all OA/ wheeling transactions based on the Distribution ARR of Rs.438.82 Crores and sales of 4143.19 MU and allotting the cost between HT & LT in the ratio of 30:70 based on the above MESCOM has proposed wheeling charges in cash for HT network at 32 paise per unit and for LT network at 74 paise / unit. Further, MESCOM has proposed the applicable technical losses for wheeling transaction at 4.31% for HT & 6.94% for LT network. In addition they have requested to continue wheeling charge within MESCOM in the manner as determined by the Commission in clause 6.6.1 and 6.6.2 of Tariff Order dated 06.05.2013.

Further, with respect to RE sources they have requested to:-

i. Discontinue banking facilities to RE generators on wind and water year basis
ii. To introduce transmission and wheeling charge for RE generators on par with charges applicable to conventional generators.
iii. To short close the existing W&B agreements and to determine the wheeling charges afresh to maintain uniformity among all WBA.
iv. To charge 85% of the applicable RE tariff determined by the Commission for the excess energy injected in case of non-REC projects and at the APPC rate in case of REC route projects.
v. To considered the approved distribution losses or actual if only distribution network is used and in addition to above to considered approved or actual transmission as wheeling charges if both distribution and transmission networks are used, in lieu of charges determined in the orders dated 09.06.2005, 06.05.2013 and all relevant orders.

The Commission in its preliminary observations had observed that MESCOM had not supported with working details to indicate that, they are incurring losses due to the current concessional W&B facility. As such, MESCOM was requested to furnish the working details to justify their stand.

In their reply MESCOM (Pg. 8 & 9) has stated that, it has seven RE IPP's under WBA and the analysis carried out for the period April 2012 to June 2013 indicates that the generators have banked energy when the average cost of power purchase is less and has drawn the power when MESCOM was shortage and the same had to be met by short term procurement at higher cost. MESCOM has furnished a working sheet estimating the loss of Rs.56.63 lakhs during the said period. In arriving at the above figure, MESCOM has valued the banked energy at APPC for the month and the banked energy consumed in successive months is evaluated at APPC of at month when MESCOM is under drawing and at short term rate when it is over drawing. Further, it is stated that MESCOM has incurred revenue losses of 761.72 lakhs on account of loss cross subsidy charges.

The Commission has noted the replies furnished by MESCOM. The approach of the Commission regarding wheeling & banking charges is discussed in the following paragraphs:

In determining the wheeling charges, the Commission has considered the ARR pertaining to distribution wires business as done in the previous years and is discussed below:-

6.6.1 Wheeling within MESCOM Area:

The allocation of the distribution network costs to HT and LT networks for determining wheeling charges is done in the ratio of 30:70, as was being done earlier. Based on the approved ARR for distribution business, the wheeling charges to each voltage level is worked out as under:

TABLE – 6.2
Wheeling Charges (after rounding off)

Distribution ARR-Rs. Crs	326.87
Sales-MU	4193.00
Wheeling charges- paise/unit	77.96
	Paise/unit
HT-network	23.39
LT-network	54.57

In addition to the above, the following technical losses are applicable to all open access/wheeling transactions:

Loss allocation	% loss
HT	4.31
LT	6.94

Note: Total loss is allocated to HT, LT & Commercial loss based on energy flow diagram furnished by MESCOM.

The actual wheeling charges payable (after rounding off) will depend upon the point of injection & point of drawal as under:

paise/unit

Injection point → / Drawal point ↓	**HT**	**LT**
HT	23 (4.31%)	78 (11.25%)
LT	78 (11.25%)	55 (6.94%)

Note: Figures in brackets are applicable loss

The wheeling charges as determined above are applicable to all the open access/wheeling transactions for using the MESCOM network, except for energy wheeled from NCE sources to the consumers in the State.

6.6.2 WHEELING OF ENERGY USING TRANSMISSION NETWORK OR NETWORK OF MORE THAN ONE LICENSEE

In case the wheeling of energy [other than NCE sources wheeling to consumers in the State] involves usage of Transmission network or network of more than one licensee, the charges shall be as indicated below:

i. If only transmission network is used, transmission charges determined by the Commission shall be payable to the Transmission Licensee.

ii. If the Transmission network and the ESCOMs' network are used, Transmission Charges shall be payable to the Transmission Licensee. Wheeling Charges of the ESCOM where the power is drawn shall be shared equally among the ESCOMs whose networks are used.

Illustration:

If a transaction involves transmission network and MESCOM's network and 100 units are injected, then at the drawal point the consumer is entitled for 85.36 units, after accounting for Transmission loss of 3.81% & MESCOM distribution loss of 11.25%.

The Transmission charge in cash as determined in the Transmission Tariff order shall be payable to KPTCL and Wheeling charge of 78 paise per unit shall be payable to MESCOM. In case more than one ESCOM is involved, the above 78 paise shall be shared by all the ESCOMs involved.

iii. If ESCOMs' network only is used, the Wheeling Charges of the ESCOM where the power is drawn is payable and shall be shared equally among the ESCOMs whose networks are used.

Illustration:

If a transaction involves injection to BESCOM's network and drawal at MESCOM's network, and 100 units are injected, then at the drawal point the consumer is entitled for 88.75 units, after accounting MESCOM's loss of 11.25%.

The Wheeling charge of 78 paise per unit applicable to MESCOM shall be equally shared between MESCOM and BESCOM.

6.6.3 CHARGES FOR WHEELING ENERGY BY RENEWABLE ENERGY SOURCES (NON REC ROUTE) TO CONSUMERS IN THE STATE

The Commission vide order dated 24.04.2014 has extended the validity of the order No.B/01/1 dated 11.07.2008 in the matter of "Wheeling and Banking Agreement" up to 30.06.2014 or till the issue of revised order in the matter, whichever is earlier. As such, for RE sources wheeling energy to the consumers in the State the existing Wheeling and Banking charges are continued up to 30.06.2014 or till the issue of revised order in the matter, whichever is earlier.

6.6.4 CHARGES FOR WHEELING ENERGY BY RENEWABLE ENERGY SOURCS WHEELING ENERGY FROM THE STATE TO A CONSUMER/OTHERS OUTSIDE THE STATE AND FOR THOSE OPTING FOR RENEWABLE ENERGY CERTIFICATE.

In case the RE energy is wheeled from the State to a consumer/others outside the State, the normal wheeling charges as determined in para 6.6.1 and 6.6.2 of this order shall be applicable. Captive generators opting for Renewable Energy Certificates, the charges and the terms & conditions as specified in the order of the Commission dated 09.10.2013 are applicable.

6.7 Other tariff related issues:

i) Fuel Cost Adjustment Charge

The Commission in its tariff order dated 30th April, 2012 had decided to introduce fuel cost adjustment charges and the Commission has notified the Regulations on 22nd March 2013. The Fuel cost adjustment charges have come into effect from the billing quarter beginning from 1st July 2013. Subsequently, the Commission has notified an amendment to this Regulations on 3rd December 2013. Accordingly the Commission is reviewing FAC claims of ESCOMs on quarterly basis and separate Orders are being issued.

ii) Cross subsidy surcharge:

MESCOM has stated that based on the methodology specified in the OA Regulations, it has worked out the surcharge at 80% of actual surcharge as under:-

Paise / unit

Voltage Level	HT-1	HT-2a	HT-2b	HT-4
66KV & above	7	176	273	101
HT level-11KV/33KV	-	148	244	73

The determination of cross subsidy surcharge by the commission is discussed in the following paragraphs:-

The Commission in its MYT Regulations has specified the methodology for calculating the cross subsidy surcharge. Based on this methodology, the category wise cross subsidy shall be as indicated below:

Particulars	**HT-1 Water Supply**	**HT-2a Industries**	**HT-2b Commercial**	**HT-2 (c)**	**HT3 (a) Lift Irrigation**	**HT3 (b) Irrigation & Agricultural Farms**	**HT-4 Residential Apartments**	**HT5 Temporary**
Average Realization rate-Paise/unit	443.81	640.72	804.61	713.63	168.00	353.17	586.98	1182.71
Cost of supply (with PPC at 5% margin) at 66 kV and above level paise/unit	587.97	587.97	587.97	587.97	587.97	587.97	587.97	587.97
Cross subsidy surcharge paise/unit at 66 kV & above level paise/unit	-144.20	52.70	216.60	125.70	-420.00	-234.80	-1.00	594.70
Cost of supply (With PPC at 5% margin) at HT level	632.58	632.58	632.58	632.58	632.58	632.58	632.58	632.58

paise/unit								
Cross subsidy surcharge paise/unit at HT level	-188.80	8.10	172.00	81.00	-464.60	-279.40	-45.60	550.10

For the categories where the surcharge is negative, the surcharge is made zero at the respective voltage level. For the remaining categories, the Commission decides to determine the surcharge at 80% of the cross subsidy worked out above, as the cross subsidy surcharge has to be gradually reduced. Thus, the cross subsidy surcharge is determined as under:

Paise/unit

Voltage level	HT-2a	HT-2b	HT-2c	HT-5
66 kV & above	42	173	101	476
HT level-11 kV/33kV	7	138	65	440

The wheeling charges and cross subsidy surcharge determined in this order will supersede the charges determined earlier and are applicable to all open access/wheeling transactions in the area coming under MESCOM.

The Commission directs the Licensees to account the transactions under open access separately. Further, the Commission directs the Licensees to carry forward the amount realized under Open Access/wheeling to the next ERC, as it is an additional income to the Licensees.

iii) Rebate for use of Solar Water Heater

The Commission has decided to retain the existing rebate of 50 paise per unit subject to a maximum of Rs. 50 per installation per month for use of solar water heaters.

iv) Prompt payment incentive

The Commission had approved a prompt payment incentive (i) in all cases of payment through ECS and (ii) in the case of monthly bill exceeding Rs.1,00,000/- (Rs. One lakh). The earlier rate of incentive was 0.25 % of the bill amount. The Commission decides to continue the same.

v) Relief to Sick Industries

The Government of Karnataka has extended certain reliefs to sick industries under the New Industrial Policy 2001-06 vide G.O. No. CI 167 SPI 2001, dated 30.06.2001. The Commission, in its Tariff Order 2002, has accorded approval for implementation of reliefs to the sick industries as per the Government policy and the same was continued in the Tariff Order 2003/2005. The Commission decides to continue the same subject to the collection of the amount of relief from the GoK in advance.

vi) Power Factor

The Commission had retained the PF threshold limit and surcharge, both for LT and HT installations at the levels existing as in the Tariff Order 2005. The Commission has decided to continue the same in the present order as indicated below:

LT Category (covered under LT-3, LT-4, LT-5 & LT-6 where motive power is involved): 0.85

HT Category: 0.90

vii) Rounding off of KW / HP

In the Tariff Order 2005, the Commission had approved rounding off of fractions of KW / HP to the nearest quarter KW / HP for the purpose of billing and the minimum billing being for 1 KW / 1HP in respect of all the categories of LT installations including IP sets. This shall continue to be followed. In the case of street light installations, fractions of KW shall be rounded off to the nearest quarter KW for the purpose of billing and the minimum billing shall be for a Quarter KW.

viii) Interest on delayed payment of bills by consumers

The Commission, in its previous Order had approved interest on delayed payment of bills at 12% per annum. The Commission decides to continue the same in this Order also.

ix)Security Deposit (3 MMD/ 2 MMD)

The Commission had issued K.E.R.C. (Security Deposit) Regulations, 2007 on 01.10.2007 and the same has been notified in the Official Gazette on 11.10.2007. The payment of security deposit shall be regulated accordingly, pending orders of the Hon'ble High Court in respect of WP 18215/2007.

6.8 Effect of Revised Tariff

As per the KERC (Tariff) Regulations 2000, read with MYT Regulations 2006, the ESCOMs have to file their applications for ERC/Tariff before 120 days of the close of each financial year in the control period. The Commission observes that the ESCOMs have filed their applications for revision of tariff on 13th December 2013. As the tariff revision is effective from 1st May, 2014 onwards, ESCOMs would be recovering revenue for eleven months out of the Financial Year.

A statement indicating the proposed revenue and approved revenue is enclosed vide **Annexure – II** and detailed tariff schedule is enclosed vide **Annexure - III**

6.9 Summary of Tariff Order 2014:

- The Commission has approved an ARR of Rs. 2312.46 Crores for FY15 as against MESCOM's proposed ARR of Rs. 2422.26 Crores.

- The revenue gap as worked out by the Commission is Rs.257.46 Crores as against MESCOM estimated gap of Rs.397.61 Crores inclusive of the gap of FY13.

- The Commission has allowed additional revenue of Rs.156.44 Crores on tariff revision as against the proposed additional revenue of Rs.196.98 Crores for FY15.

- MESCOM has proposed an increase of 66 paise for all categories of consumers other than BJ/KJ households & IP Sets. The Commission has approved an average increase of 32 paise per unit in the tariff for all consumers other than IP sets and BJ/KJ households.

- The Commission has increased the tariff for LT- Water Supply by 10 paise per unit and HT Water Supply installations by 20 paise per unit in both urban and rural areas.

- Time of the day tariff which was made mandatory in the previous Tariff Order for installations under HT2 (a), HT2 (b) and **HT2 (c)** with contract demand of 500 KVA and above is continued in this Order.

- Green tariff of additional 50 paise per unit over and above the normal tariff which was introduced in the previous tariff order for HT industries and HT commercial consumers at their option, to promote purchase of renewable energy from ESCOMs is continued in this Order.

- ❖ As in the previous Order, the Commission has continued to provide a separate fund for facilitating better Consumer Relations /Consumer Education Programs.

- ❖ The cap on short-term power is continued at Rs.4.50 per unit to meet shortfall in supply.

- ❖ Fodder choppers and Milking Machines with a connected load up to 1 HP are included under LT2 category.

- ❖ IT / ITes / Start-up / Animation / Games / Computer graphics establishments which were hitherto billed under commercial category are included under LT / HT industrial tariff category.

6.10 Commission's Order

1. **In exercise of the powers conferred on the Commission under Sections 62, 64 and other provisions of the Electricity Act, 2003, the Commission hereby determines and notifies the distribution and retail supply tariff of MESCOM for FY14 as stated in Chapter-6 of this Order.**

2. **The tariff determined in this order shall come into effect for the electricity consumed from the first meter reading date falling on or after 1st May 2014.**

3. **This order is signed dated and issued by the Karnataka Electricity Regulatory Commission at Bangalore this day, the 12th May 2014.**

Sd/-	**Sd/-**	**Sd/-**
(M.R.Sreenivasa Murthy) **Chairman**	**(H.D. Arun Kumar)** **Member**	**(D.B. Manival Raju)** **Member**

APPENDIX

REVIEW OF COMPLIANCE OF DIRECTIVES ISSUED BY THE COMMISSION

1. The following are the new directives issued by the Commission:

i) Directive on Load shedding:

During the public hearings conducted by the Commission in different parts of the State, consumers across different sections have complained against frequent disruption in the supply of power particularly by way of unscheduled load shedding. Organisations representing industry and trade have pointed out that several small scale industries which do not have captive generation facility often suffer huge losses due to interruptions in power supply which results in loss of materials and man hours. Commercial and domestic consumers also suffer serious inconvenience due to frequent interruptions in power supply.

The Commission is aware that load shedding due to unforeseen outages of generation facilities resulting in reduction in the availability of power and due to constraints in the transmission and distribution networks sometimes force the ESCOMs to resort to load shedding. However, it is necessary that load shedding is resorted to only in unavoidable circumstances after taking due care to anticipate and address likely shortages in the availability of power. The consumers likely to be affected by such load shedding should also be kept informed to minimise inconvenience to them.

In its orders in OP No.26 of 2009 dated 26.8.2010, KERC had specified that load shedding for purposes of maintenance or for load management should be effected by ESCOMs by giving adequate notice to consumers through prior publication. The Commission also had advised ESCOMs on several occasions that load shedding should be done as far as possible on a rotation of feeders / substations to minimise the impact of load shedding on any area or section of consumers. In view of the continuing difficulties represented by consumers on account of unscheduled / unpublished load shedding, the Commission considers it necessary to issue fresh directives in the matter for minimising inconvenience to consumers. The Commission directs that :

(1) Load shedding required for planned maintenance of transmission / distribution networks should be notified in daily newspapers at least 24 hours in advance for the information of consumers.

(2) ESCOMs shall on a daily basis estimate the hourly requirement of power for each substation in their jurisdiction based on the seasonal conditions and other factors affecting demand.

(3) Any likelihood of shortfall in the availability during the course of the day should be anticipated and the quantum of load shedding should be estimated in advance. Specific sub stations and feeders should be identified for load shedding for the minimum required period with due intimation to the concerned sub divisions and substations.

(4) The likelihood of interruption in power supply with time and duration of such interruption may be intimated to consumers through SMS and other means.

(5) Where load shedding has to be resorted to due to unforeseen reduction in the availability of power, or for other reasons, consumers may be informed of the likely time of restoration of supply through SMS and other means.

(6) Load shedding should be carried out in different sub stations / feeders to avoid frequent load shedding affecting the same sub stations / feeders.

(7) ESCOMs should review the availability of power with respect to the projected demand for every month in the last week of the previous month and forecast any unavoidable load shedding after consulting

other ESCOMs in the State about the possibility of inter-ESCOM load adjustment during the month.

(8) ESCOMs shall submit to KERC their projections of availability and demand for power and any unavoidable load shedding for every succeeding month in the last week of the preceding month for approval.

(9) ESCOMs shall also propose specific measures for minimizing load shedding by spot purchase of power in the power exchanges or bridging the gap by other means.

(10) ESCOMs shall submit to the Commission Substation wise and feeder wise data on interruptions in power supply every month before the 5th day of the succeeding month.

The Commission directs that ESCOMs shall make every effort to minimize inconvenience to consumers strictly complying with the above directions. The Commission will review the compliance of directions on a monthly basis for appropriate orders.

ii) Directive on Establishing a 24x7 Fully Equipped Centralized Consumer Service Center for Redressal of Consumer Complaints.

During the public hearings held by the Commission, several Consumers have brought to the notice of the Commission that the Customer Call Centers established in ESCOMs are not functioning effectively resulting in delay in restoration of power supply after interruptions and attending to other complaints from consumers. Hence, the consumers have represented that ESCOMs should establish Centralized Consumer Call Centers immediately for registering their complaints relating to power supply. The Commission is also of the view that establishing 24x7 fully equipped Centralized Consumer Call Centers at the Headquarters of ESCOMs to improve the delivery of services is the need of the hour. It is also important that, after establishing such a system, the ESCOMS need to take further steps to popularize the system to enable more and more consumers to register their complaints relating to supply of electricity with the Call Centers.

MESCOM is directed to put in place a 24x7 fully equipped Centralized Consumer Service Center at its Headquarters with state of the art facility/system for receiving consumer complaints and monitoring their redressal so that electricity consumers in its area of supply are able to seek and obtain timely and efficient services / redressal in the matter of their grievances. Such a Service Center shall have adequate number of desk operators in each shift so that consumers across the jurisdiction of MESCOM are able to lodge their complaints directly with this Centre.

Every complaint shall be received on a helpline telephone number by the desk operator and registered with a docket number which shall be intimated to the Consumer. Thereafter, the complaints shall be transferred online / communicated to the concerned field staff for resolving the same. The concerned O&M/local service station staff shall visit the complainant's premises / fault location at the earliest to attend to the complaints and then inform the Centralized Service Centre that the complaint is attended. In turn, the call centre shall call the complainant and confirm with him whether the complaint has been attended to. The complaints shall be closed only after receiving consumer's / complainant's confirmation. Such a system should also generate daily reports indicating the number/nature of complaints received, complaints attended, complaints pending and reasons for not attending to the complaints.

MESCOM shall publish the details of the complaint handling procedure / Mechanism with contact numbers in the local media periodically for the information of the consumers. The compliance of the action taken in the matter shall be submitted to the Commission within two months from the date of this Order.

Further, the Commission directs MESCOM to establish/strengthen 24x7 service stations, equipping them with separate vehicles & adequate line crew, safety kits and maintenance materials at all its Sub-Divisions including rural areas for effective redressal of consumer complaints.

The Commission also directs MESCOM to hold Consumer Interaction Meetings in each O&M Sub-Division once every two months according to a published schedule and invite consumers in advance to participate in such meetings to sort out their grievances. Such meetings shall be chaired by officers of the level of Superintending Engineers and attended by the concerned divisional and sub-divisional Engineers. MESCOM shall submit compliance of the same to the Commission once in a quarter.

2. Review of Compliance of Existing Directives:

The Commission had in its earlier tariff orders and in various letters issued several directives for compliance by MESCOM. Compliance of the directives as reported by MESCOM is outlined in this Section.

In the last Tariff Order, the Commission had decided to review the action taken by MESCOM to comply with each of the directives by holding separate hearings / meetings for the purpose. Accordingly, the Commission has reviewed the status of compliance of directives at a separate review meeting held during 19th October, 2013 with ESCOMs and taken note of the extent of compliance furnished by them. During the review meeting, the Commission observed that while some of the directives have been fully complied with, some important directives like energy auditing, implementation of NJY & HVDS, Demand Side Management in agriculture and electrification of un-electrified households are yet to be complied with adequately.

Hence, the Commission having observed substantial compliance of its directives by ESCOMs and also in view of quarterly reviewing of some of its directives like monitoring of Quality of Power Supply, Regularization of un-authorized IP Sets etc., separately, has decided to review the status of compliance of directives by consolidating and grouping all the directives issued hitherto into seven important directives for compliance by MESCOM which are discussed in this chapter as follows:

i. Directive on Energy Audit

The Commission had directed MESCOM to prepare a metering plan for energy audit to measure the energy received in each of the interface points and to account for the energy sales. The Commission had also directed MESCOM to conduct energy audit and chalk out an Action Plan to reduce distribution losses to a maximum of 15 per cent wherever it was above this level in towns/ cities having a population of over 50,000.

The Commission had earlier directed ESCOMs to complete installation of meters at the DTCs by 31st December, 2010. In this regard ESCOMs were required to furnish to the Commission the following information on a monthly basis on the progress achieved in respect of

a) Number of DTCs existing in the Company.
b) Number of DTCs already metered.
c) Number of DTCs yet to be metered.
d) Time bound monthly programme for completion of work.

Compliance by MESCOM

As a part of the Company strategy to reduce technical and commercial losses, MESCOM has undertaken energy audit at division / feeder level.

Further, as per the directions of the Hon'ble Commission, the distribution losses in respect of the selected 6 cities namely Mangalore, Udupi, Shimoga, Bhadravathi, Sagar and Chikmagalur are being monitored every month. In FY-13, of these 6 cities, the loss levels in 5 cities are within 10 per cent and in Chikmagalur the loss level is 10.37 per cent.

The details of distribution loss levels in the selected cities / towns in FY13 and FY14 up to August, 2013 are as below.

Sl. No.	City / Town	FY-13 (In %)	FY-14 Up to Aug-2013 (in %) (Provisional)
1	Mangalore	4.75	5.42
2	Udupi	6.46	4.00
3	Shimoga	6.99	5.88
4	Bhadravathi	7.63	7.08
5	Sagar	7.18	9.45
6	Chickmagalore	10.37	10.73
7	Puttur	10.46	4.81
8	Bantwal	13.15	15.56
9	Shikaripura	5.19	5.60
10	Kadur	8.66	12.69
11	Tarikere	11.01	8.98
12	Belthangady	5.43	4.34
13	Sullia	4.88	4.98
14	Kundapura	8.47	8.98
15	Karkala	5.49	5.93
16	Soraba	10.34	10.98
17	Thirthahalli	9.57	8.67
18	Mudigere	5.00	5.02
19	Koppa	4.79	4.76
20	Sringeri	4.79	4.00
21	NR Pura	5.67	4.92

Metering of the DTCs:

In compliance of the directives of the Commission, the details of DTCs metered in MESCOM as at the end of October, 2013 are as below.

Division	No. of DTCs as at the end of 31-10-2013.			No. of metered DTCs as at the end of 31-10-2013.			Balance No. of DTCs to be metered.		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Mangalore-1	2487	723	3210	1773	6	1779	714	717	1431
Mangalore-2	1349	1606	2955	823	30	853	526	1576	2102
Puttur	743	2903	3646	372	79	451	371	2824	3195
Bantwal	273	3992	4265	162	68	230	111	3924	4035
Udupi	1412	3600	5012	1021	144	1165	391	3456	3847
Kundapura	121	1888	2009	35	52	87	86	1836	1922
Shimoga	1126	3193	4319	1020	1143	2163	106	2050	2156

Bhadravathi	415	1440	1855	402	907	1309	13	533	546
Sagar	314	2645	2959	196	1117	1313	118	1528	1646
Shikaripura	225	3238	3463	123	2094	2217	102	1144	1246
Chikmaglore	607	3833	4440	447	898	1345	160	2935	3095
Kadur	233	4597	4830	139	3809	3948	94	788	882
Total	**9305**	**33658**	**42963**	**6513**	**10347**	**16860**	**2792**	**23311**	**26103**

Commission's Views:

MESCOM is directed to initiate action to reduce loss levels further in towns/cities wherever loss levels are more than 10 per cent and report compliance of the action taken to the Commission at the earliest.

The Commission observes that the progress achieved in metering of DTCs so far by the MESCOM is around 39 per cent only. It is also observed that, MESCOM in spite of metering a large number of DTCs, has not furnished the analysis of energy audit conducted and the remedial measures initiated based on the energy audit to reduce loss levels at DTC level.

During the ESCOMs' Review meeting held on 19.10.2013 in the Commission's office, MESCOM had agreed to complete 100 per cent DTC Metering along with consumer indexing in at least one division by the end of December, 2013 and submit the analysis of the same to the Commission. But, MESCOM is yet to comply with the directives as agreed.

MESCOM shall expedite metering of DTCs by drawing up an action plan and complete it in a reasonable period of time so as to take up DTC wise energy audit and further initiate remedial measures aimed at reducing the losses wherever the losses are abnormally high.

Further, MESCOM is also directed to furnish the details of energy audit conducted at the DTC level in respect of DTCs for which meters have already been provided and based on the analysis the remedial measures initiated to reduce the loss levels further.

The Commission reiterates its directive to complete 100 per cent DTC metering along with consumer indexing in at least one composite division and furnish the analysis of the same to the Commission at the earliest.

ii. Directive on Implementation of HVDS

In view of the obvious benefits in the introduction of HVDS in reducing distribution losses, the Commission had directed MESCOM to implement High Voltage Distribution System in at least one O&M Division in a rural area in its jurisdiction by utilizing the Capex provision allowed in the ARR for the year.

Compliance by MESCOM

In compliance of the directions of the Commission, Kadur Sub-Division has been identified as an ideal Sub-Division to take up HVDS scheme as a pilot project. The necessary estimates have been made and they are in the sanctioning stage. MESCOM is the first Company to implement RLMS scheme successfully. This scheme was implemented for regulating the power supply to IP Set installations as per the GoK orders issued from time to time. However, on a later date it was decided to take a uniform decision of implementing NJY scheme all over the State in place of RLMS feeders. In view of the above, surveying work of RLMS feeders to implement NJY scheme has been taken up and the preparation of DPRs is nearing completion. Once this scheme is completed the entire agricultural loads will be bifurcated from the existing feeders by which arrangement, power supply for IP Sets would be for limited hours only. Therefore, the HVDS scheme may have less impact in reduction of line loss. However, replacing of higher capacity transformers by lower capacity transformers would automatically lead to HVDS by limiting the extension of LT lines. MESCOM will take up this action immediately in compliance of the directives of the Hon'ble Commission.

In the meanwhile, MESCOM has already replaced higher capacity DTCs by smaller capacity DTCs under HVDS scheme. The details of progress achieved up to end of October 2013 are here under.

i. Number of 250 kVA transformers released 15.
ii. Number of 100 kVA, 63 kVA and 25 kVA transformers installed in lieu of 250 kVA transformers are 9 numbers, 30 numbers and 3 numbers respectively.
iii. Number of 100 kVA transformers released 112.

Totally 118 numbers and 163 numbers of 63 kVA and 25 kVA transformers respectively have been installed in lieu of 100 kVA transformers.

Commission's Views:

There has been considerable delay in the implementation of HVDS in MESCOM in spite of the Commission issuing the detailed Guidelines / Methodology to be followed by ESCOMs for implementation of HVDS vide its letter No:23/12/499 dated 19.03.2012. Also this issue has been emphasized in every meeting with ESCOMs.

The Commission during its review meeting with ESCOMs held on 19th October, 2013, had directed them to identify one Sub-Division in each ESCOM with high LT / HT ratio and high distribution loss levels, so that substantial loss reduction could be achieved by implementing HVDS in such Sub-Divisions. It was also suggested to MESCOM in the meeting that, HVDS could be implemented in areas like Chickmagalore, Sagar, Kadur and Shikaripur where distribution losses are reportedly very high.

MESCOM, instead of merely replacing higher capacity distribution transformers by smaller capacity distribution transformers here and there should concentrate on implementing HVDS in one Sub-Division as a total solution to have the maximum benefit.

MESCOM is directed to follow the guidelines issued by the Commission and immediately take up implementation of HVDS programme in Kadur Sub-Division as reported by it and submit compliance of the same from time to time to the Commission.

iii. Directive on Niranthara Jyothi – Feeder Separation

ESCOMs were directed to furnish to the Commission the programme of implementing 11 KV taluk wise feeders segregation with the following details

a) Number of 11 KV feeders considered for segregation.
b) Month wise time schedule for completion of envisaged work.
c) Improvement achieved in supply after segregation of feeders.

Compliance by MESCOM

The Government of Karnataka vide letter No: EN 36 / VSC 2013 dated 23-08-2013 has directed MESCOM to study and submit a detailed report about the viability of replacing the defunct RLMS feeders by Niranthara Jyothi Feeders in MESCOM. In this connection, action has been taken to carryout survey of RLMS feeders and assessing the total cost implication with DPR. These details along with the source of finance etc., will be submitted to GoK for a policy decision in the matter.

On receipt of scheme sanction by GoK, further action will be taken in the matter.

Commission's Views:

MESCOM has not implemented NJY along with other ESCOMS as it has implemented in its jurisdiction Rural Load Management System (RLMS), to derive benefits similar to NJY. But, it is also a fact that RLMS feeders are defunct at present as reported by MESCOM necessitating implementation of NJY in place of RLMS.

The Commission, while taking note of the progress achieved in ESCOMs under NJY during its review meeting with ESCOMs held on 19th October, 2013, had directed MESCOM to implement NJY scheme by identifying high loss Sub-division.

MESCOM is directed to take up implementation of NJY scheme in its jurisdiction wherever RLMS is not operational and report compliance to the Commission regarding the time bound schedule to complete suchworks.

iv. Directive on Demand Side Management in Agriculture

In view of the urgent need for conserving energy for the benefit of the consumers in the State, the Commission had directed MESCOM to take up replacement of inefficient Irrigation Pumps with energy efficient Irrigation Pumps approved by the Bureau of Energy Efficiency, at least in one Sub-division in its jurisdiction.

Compliance by MESCOM

MESCOM has initiated action to promote DSM measures in agricultural sector by selecting two rural feeders of Kabaka in Puttur division and Manai feeder in Udupi division on a pilot basis. In order to measure the input energy before and after installation of energy efficient motors, 261 IP-Sets connected to the Kabaka feeder and 294 IP-Sets connected to the Manai feeder have been provided with new electrostatic meters by replacing old electromechanical meters during the period March, 2013. The base line data of meter readings and monthly consumption of these IP-Sets have been collected, but providing energy efficient motors to the IP-Sets could not be taken up immediately. However, efforts are being made to approach the BEE, GoI for procurement of energy efficient BEE labeled motors as a pilot project at the earliest.

Commission's Views:

The Commission observes that the action taken so far by MESCOM in implementation of Demand Side Management measures is not adequate. The Commission also observes that serious lack of intent on the part of MESCOM in implementation of such measures. MESCOM shall endeavor to implement Demand Side Management measures in agriculture which aims at conserving energy as well as precious water for the benefit of farmers.

Further, the Commission during its review meeting with ESCOMs held on 19th October, 2013 had directed MESCOM to initiate DSM measures in a Sub-Division/taluk to assess the results of such measures.

MESCOM is directed to expedite the works and report compliance regarding the progress achieved every month to the Commission.

v. Directive on Lifeline Supply to Un-Electrified Households

The Commission has directed ESCOMs to prepare a detailed and time bound action plan to provide electricity to all the un-electrified villages, Hamlets and Habitations in every taluk and to every Household therein. The action plan shall spell out the details of additional requirement of power, infrastructure and manpower along with the shortest possible time frame (not exceeding three years) for achieving the target in every taluk and district. The Commission has directed that the data of un-electrified households could be obtained from the concerned Gram Panchayaths and the action plan be prepared based on the data of un-electrified households.

Compliance by MESCOM

MESCOM has initiated action to electrify all the un-electrified villages, Hamlets and Habitations including energization of BPL households in Dakshina Kannda, Udupi, Shimoga and Chickmagalore districts under RGGVY scheme.

In the 11th Plan, 1st Phase, all the BPL Households and other rural households of Shimoga and Chickmagalore districts have been covered under RGGVY scheme and 2137 number of villages, 243 number of Hamlets (intensive electrification), 47067 number of BPL Households and 67968 number of rural households have been provided with electricity during March-2012. The details are furnished here under.

Particulars	District				Total	
	Shimoga		Chickmagalore			
	Target	Progress	Target	Progress	Target	Progress
Intensive Electrification of Electrified Villages **in Nos.**	1289	1290	941	847	2230	2137
Intensive Electrification of Electrified Habitations **in Nos.**	121	119	126	124	247	243
Electrification of Rural Households including BPL Households **in Nos.**	42533	46068	37147	68967	79680	115035
Electrification of BPL Households **in Nos.**	24415	23764	16041	23303	40456	47067

Similarly, in the 11th Plan, 2nd Phase, in the districts of Udupi and Dakshina Kannda the said RGGVY scheme was taken up to cover all the un-electrified villages, hamlets and habitations including energization of BPL households and other rural Households. The contract for the work is awarded and electrification works as stated above are under progress and the same will be completed by the end of March, 2014. The details of progress as at the end of November, 2013 are as under:

Particulars	District				Total	
	Udupi		Dakshina Kannada			
	Target	Progress	Target	Progress	Target	Progress
Intensive Electrification of Electrified Villages **in Nos.**	231	32	356	90	587	122
Intensive Electrification of Electrified Habitations **in Nos.**	50	-	98	-	148	-
Electrification of Rural Households including BPL Households **in Nos.**	10288	210	31445	653	41733	863
Electrification of BPL Households **in Nos.**	5661	210	22121	653	27782	863

Since there were continuous rains in MESCOM area during the period June, 2013 to September, 2013 progress could not be achieved as expected. However, the same will be made good in the coming months.

Commission's Views:

The Commission observes that MESCOM has not come out with a concrete action plan with details of district wise number of un-electrified Households identified which need to be electrified, cost of the estimate, funding arrangement, duration of completion of project etc., to implement the directive of the Commission for providing electricity to the un-electrified Households.

The Commission, while reviewing, the status of compliance of its directives during the ESCOMs' Review meeting held on 19.10.2013 in the Commission's office, has observed that, as per latest Census report, there are 12,34,444 un-electrified Households in the State and ESCOMs have to initiate action to provide electricity to these un-electrified households with funding arrangement by RGGVY or any other source.

Further, the Commission, in its letter dated 25th October, 2013, had also directed that the data of un-electrified Households could be obtained from the concerned Gram Panchayaths and an action plan for electrification of identified Households which are not electrified be prepared by ESCOMs by the end of December 2013 and submitted to the Commission. MESCOM has not furnished the details of latest progress of electrification of un-electrified households in its jurisdiction.

MESCOM is directed to initiate the action on the above and submit compliance/progress achieved every month to the Commission.

vi. Directive on Sub-Division as strategic Business Units (SBU).

The present organizational set up of ESCOMs at the field level appears to be mainly oriented to maintenance of power supply without a corresponding emphasis on realization of revenue. This has resulted in a serious mismatch between the power supplied, expenditure incurred and the revenue realised in many cases. The continued viability of the ESCOMs urgently calls for a change of approach in this regard, so that the field level functionaries are made accountable for ensuring realization of revenues corresponding to the energy supplied in their jurisdiction.

The Commission had directed the MESCOM to introduce the system of Cost-Revenue Centre Oriented Sub-divisions at least in two Divisions in its operational area and report results of the experiment to the Commission.

Compliance by MESCOM

In MESCOM area, Puttur and Shimoga divisions are identified for the introduction of SBU concept and modalities were worked out and submitted to the Commission vide letter No: SEE / C&RP / EERA / 13-14/ 27054, dated 24-09-2013.

However, the concept and modalities adopted in the above divisions need to be refined including the distribution of input energy into various accounts. This requires further study at feeder level, DTC level and at consumer level for accountability of energy consumed. Efforts are being made to study energy and revenue audit which will be reported to the Commission.

Commission's Views:

During the Review meeting with ESCOMs held on 19.10.2013, the Commission had directed ESCOMs to furnish the action plan for implementation of Cost-Revenue Centre Oriented Sub-Divisions in at least two divisions in each ESCOM by the end of December 2013. But, MESCOM is yet to submit the compliance for implementation of SBU in its jurisdiction to the Commission.

The Commission, had constituted a study by Consultant M/s Deloitte for reviewing the Sub-Division model keeping in view the key performance indicators and institutionalizing a review mechanism to improve the performance of ESCOMs. The study report is already sent to ESCOMs for taking further action / implementation.

MESCOM is directed to take immediate action to implement SBU concept as per the recommendations of the study report in Puttur and Shimoga divisions and report compliance/progress to the Commission at the earliest.

vii. Directive on Prevention of Electrical Accidents

The Commission has reviewed the electrical accidents that have taken place in the State during the year 2012-13 and noted with regret that as many as 397 people and 353 animals have died due to these accidents.

From the analysis, it is seen that these accidents are mainly due to snapping of LT/HT lines, accidental contact with live LT/HT/EHT lines, hanging live wires around the electric poles /transformers etc., in the Streets posing great danger to human lives.

Having considered the above matter, the Commission hereby directs to prepare an action plan to effect improvements in the Transmission and Distribution Networks and implement safety measures to prevent electrical accidents. Detailed Division wise action plans shall be submitted by MESCOM to the Commission.

Compliance by MESCOM

MESCOM has given top priority by taking necessary measures to prevent accidents of both departmental and non-department persons including animals. Action has been taken to identify the accident prone areas and provided safety measures such as fencing of transformer centers, conversion of overhead lines to AB cable / UG cable, replacing of deteriorated poles and conductors.

All workmen of MESCOM have been provided with safety equipments such as high voltage line detectors, Earthing Rods, safety kits, apart from educating them about safety rules and regulations.

Periodical training is being imparted on safety measures by providing safety instruction manuals, conducting mock tests and various field demonstrations through trained professionals.

Wide publication is given in daily newspapers periodically duly displaying pictorial illustrations, highlighting precautionary measures, hazardous areas, Do's and Dont's for the safety of public.

Commission's Views:

The Commission has taken note of the various safety measures initiated by MESCOM to prevent electrical accidents in the distribution system. However, the Commission has also noted the large number of fatal electrical accidents involving humans and livestock despite ESCOMs reporting that various preventive measures have been initiated to effect changes in the distribution system to minimize the accidents. This calls for urgent action by ESCOMs to further emphasize on rectification of hazardous installations in the distribution system which are prevalent in public places posing great danger to the public. Utmost priority shall be given to these rectification works so that the accidents occurring on these counts can be reduced significantly paving the way for an accident free environment.

Further, during the Review meeting with ESCOMs held on 19.10.2013, the Commission had directed MESCOM to initiate various safety measures such as effecting improvements/maintenance in its distribution Networks, installing protection to distribution transformers on LT lines, conducting awareness program for public regarding safety aspects in use of electricity and insisting on the use of safety equipment while at work by the field staff besides imparting necessary training. The Commission had also observed that, even though a sum of Rs.50 lakh is earmarked in the ARR for consumer education and awareness program, MESCOM has not reported implementation of such measures.

MESCOM is directed to take necessary measures to rectify the hazardous locations / installations, effect necessary improvements to its distribution Network and providing LT protection to distribution transformers to reduce the number of fatal electrical accidents as these are the major causes for the occurrence of accidents. MESCOM is directed to comply with the above directive and report progress of the same every month to the Commission.

ANNEXURE - I

APPROVED POWER PURCHASE FOR FY-15

SL No.	Sources	TOTAL FOR THE STATE						MESCOM SHARE					
		Capacity in MW (State Share)	Energy in MU	Fixed Charges in Rs Cr	Variable Charges in Rs Cr	Total Charges in Rs Cr	Energy Charge in Rs per Unit	% of Energy	Energy in MU	Fixed Charges in Rs Cr	Variable Charges in Rs Cr	Total Charges in Rs Cr	Energy Charge in Rs per Unit
KPCL Hydel Stations													
1	Sharavathi Valley Project (SGS & LPH)+Linganamakki	1090.00	5588.59	35.91	92.46	128.37	0.23	10.42	582.12	3.74	9.63	13.37	0.23
2	Bhadra	39.20	54.55	1.00	15.03	16.03	2.94	8.53	4.65	0.09	1.28	1.37	2.94
3	Kali Valley Project (NPH&Supa)	985.00	3415.13	28.02	114.67	142.69	0.42	10.42	355.73	2.92	11.94	14.86	0.42
4	Varahi Valley Project (VUGPH1&2 and Mani DPH)	239.00	1146.74	15.42	66.67	82.09	0.72	10.42	119.45	1.61	6.94	8.55	0.72
5	Varahi 3 & 4	230.00		34.31		34.31		10.42	0.00	3.57	0.00	3.57	
6	Ghataprabha(GDPH/GHEP)	32.00	96.11	1.84	6.55	8.39	0.87	10.42	10.01	0.19	0.68	0.87	0.87
7	Kadra Dam	150.00	389.19	15.12	40.58	55.70	1.43	8.53	33.20	1.29	3.46	4.75	1.43
8	Kodasalli Dam	120.00	374.44	10.76	30.47	41.23	1.10	8.53	31.94	0.92	2.60	3.52	1.10
9	Gerusoppa/STRP(GPH)	240.00	572.95	18.59	42.51	61.10	1.07	8.53	48.87	1.59	3.63	5.21	1.07
10	Almatti (ADPH)	290.00	496.97	50.47	37.59	88.06	1.77	8.53	42.39	4.31	3.21	7.51	1.77
11	Shiva & Shimsha	59.20	301.61	5.53	19.64	25.17	0.83	10.42	31.42	0.58	2.05	2.62	0.83
12	Munirabad	28.00	84.33	0.60	4.36	4.96	0.59	10.42	8.78	0.06	0.45	0.52	0.59
13	MGHE-Jog	139.20	242.95	3.42	13.69	17.11	0.70	10.42	25.31	0.36	1.43	1.78	0.70
14	TB Dam Share	14.40	37.23	1.79	0.00	1.79	0.48	10.42	3.88	0.19	0.00	0.19	0.48

15	Kalmala (1x0.4MW)	0.40	0.00	0.00	0.00	0.00	0.00	8.53	0.00	0.00	0.00	0.00	
16	Sirawara(1x1MW)	1.00	0.00	0.00	0.00	0.00	0.00	8.53	0.00	0.00	0.00	0.00	
17	Mallpura(2x4.5)	9.00	0.00	0.00	0.00	0.00	0.00	8.53	0.00	0.00	0.00	0.00	
18	Ganekal (1x0.35MW)	0.35	0.00	0.00	0.00	0.00	0.00	8.53	0.00	0.00	0.00	0.00	
	Total of KPCL-Hydel	3666.75	12800.79	222.78	484.22	707.00	0.55		1297.75	21.40	47.30	68.70	0.53
	TOTAL (NCE)	3258.60	6839.72	0.00	2503.92	2503.92	3.66	100.00	875.19	0.00	312.10	312.10	3.57
	KPCL Thermal Stations												
19	RTPS -1 to 7	1470.00	7934.93	666.14	2268.12	2934.26	3.70	8.34	661.77	55.56	189.16	244.72	3.70
20	RTPS 8	250.00	1462.81	190.59	402.16	592.75	4.05	8.34	122.00	15.90	33.54	49.44	4.05
21	BTPS Unit I	500.00	3119.66	373.07	811.50	1184.57	3.80	8.34	260.18	31.11	67.68	98.79	3.80
22	BTPS Unit II	500.00	3119.66	524.07	742.87	1266.94	4.06	8.34	260.18	43.71	61.96	105.66	4.06
23	BTPS Unit III	500.00	405.15	31.22	99.64	130.86	3.23	8.34	33.79	2.60	8.31	10.91	3.23
	Total KPCL-Thermal	3220.00	16042.20	1785.09	4324.29	6109.38	3.81		1337.92	148.88	360.65	509.52	3.81
24	Jurala Hydro of AP	234.60	205.51	57.10	8.35	65.45	3.18	8.34	17.14	4.76	0.70	5.46	3.18
	CENTRAL GENEATIG STATIONS												
25	CGS-NTPC-Ramagundam: Stage-I & II (3x200 and 3x500MW)	415.59	3044.25	147.75	651.99	799.74	2.63	8.34	253.89	12.32	54.38	66.70	2.63
26	CGS-NTPC-Ramagundam: Stage-III (1x500MW)	104.15	819.99	61.03	96.52	157.55	1.92	8.34	68.39	5.09	8.05	13.14	1.92
27	CGS-NTPC-Talcher: Stage-II (4x500MW)	386.20	2798.44	188.65	1080.96	1269.61	4.54	1.17	32.62	2.20	12.60	14.80	4.54
28	CGS-NTPC-Simhadri: Stage-II (2x500MW)	212.30	1556.02	222.29	382.72	605.01	3.89	8.34	129.77	18.54	31.92	50.46	3.89
29	CGS-NLC;TPS-II:Stage-I (3x210MW)	128.58	927.62	58.46	193.64	252.10	2.72	8.34	77.36	4.88	16.15	21.03	2.72
30	CGS-NLC;TPS-II:Stage-II (4x210MW)	173.63	1258.73	73.40	276.67	350.07	2.78	8.34	104.98	6.12	23.07	29.20	2.78

31	CGS-NLC;TPS-I:Exp (2x210MW)	108.11	823.18	87.19	180.95	268.14	3.26	8.34	68.65	7.27	15.09	22.36	3.26
32	Vallur STPS Unit 1&2 (2x500)	87.10	638.39	58.00	140.20	198.20	3.10	8.34	53.24	4.84	11.69	16.53	3.10
33	CGS-NPCIL;MAPS (2x220MW)	32.03	218.77		50.05	50.05	2.29	8.34	18.25	0.00	4.17	4.17	2.29
34	CGS-NPCIL;KAIGA-1&2 (2x220MW)	119.20	922.07		288.74	288.74	3.13	8.34	76.90	0.00	24.08	24.08	3.13
35	CGS-NPCIL;KAIGA-3&4 (2x220MW)	130.20	968.25		303.20	303.20	3.13	8.34	80.75	0.00	25.29	25.29	3.13
36	Kudankulam (2x1000MW)	500.00	970.38		228.04	228.04	2.35	8.34	80.93	0.00	19.02	19.02	2.35
Total CGS		2397.08	14946.09	896.77	3873.68	4770.45	3.19		1045.73	61.26	245.51	306.77	2.93
37	IPPS	1080.00	7114.52	1274.56	1973.60	3248.17	4.57	0.75	53.10	9.51	14.73	24.24	4.57
38	SHORT TERM AND MEDIUM TERM	1500.00	3772.52	0.00	1967.78	1967.78	5.22	7.92	298.66	0.00	155.79	155.79	5.22
TOTAL FY15		15357.03	61721.35	4236.31	15135.84	19372.15	3.14		4925.50	245.80	1136.78	1382.58	2.81
39	PGCIL Transmission Charges					433.79						34.27	
40	POSOCO Charges					3.00						0.24	
41	KPTCL Transmission Charges					2196.95						180.52	
42	SLDC Charges					25.94						2.05	
	TOTAL FY15 (with Transmission & LD Charges)		61721.35	4236.31	15135.84	22031.83	3.57		4925.50	245.80	1136.78	1599.66	3.25
												Page 182	

Annexe- II

PROPOSED AND APPROVED REVENUE FOR FY-15 OF MESCOM

Sl No	Category	Description	Proposed by MESCOM		Approved as per RST	
			Sales-MU	Revenue Rs. crores	Sales-MU	Revenue Rs. crores
1	LT-1[fully subsidised by GoK]*	Bhagya Jyothi/Kutir Jyothi	40.15	16.94	15.89	8.38
2	LT-2(a)(i)	Dom. / AEH - Applicable to City Municipal Corporations areas and all area under Urban Local Bodies.	1228.08	569.08	641.77	270.09
3	LT-2(a)(ii)	Dom. / AEH - Applicable to areas under Village Panchayats	0.00	0.00	582.99	253.72
4	LT-2(b)(i)	Pvt. Educational Institutions Applicable to all areas of Local Bodies including City Corporations	11.05	7.78	7.65	5.32
5	LT-2(b)(ii)	Pvt. Educational Institutions Applicable to areas under Village Panchayats	0.00	0.00	4.33	2.73
6	LT-3(i)	Commercial - Applicable in areas under all ULBs including City Corporations.	309.51	251.03	206.83	163.11
7	LT-3(ii)	Commercial - Applicable to areas under Village Panchayats	0.00	0.00	100.10	74.53
8	LT-4(a)*	IP<=10HP	1142.08	383.74	1134.10	440.97
9	LT-4(b)	IP>10HP	1.08	0.42	0.78	0.32
10	LT-4 (c) (i)	Pvt. Nurseries, Coffee & Tea Plantations of sanctioned load of 10 HP & below	6.77	2.66	2.56	0.85
11	LT-4 (c) (ii)	Pvt. Nurseries, Coffee & Tea Plantations of sanctioned load of above 10 HP	0.00	0.00	2.59	1.27
12	LT-5	LT Industrial	132.32	86.99	128.90	80.97
13	LT-6	Water supply	114.14	48.95	111.17	41.48
14	LT-6	Public lighting	66.96	35.24	62.12	31.13
15	LT-7	Temporary supply	27.22	32.58	27.22	32.15
	LT - TOTAL		**3079.36**	**1435.41**	**3029.00**	**1407.02**
1	HT-1	Water supply & sewerage	82.80	39.96	86.96	37.71
2	HT-2(a)	Industrial -	615.99	427.25	720.61	467.26
3	HT-2(b)	Commercial	236.05	192.17	221.13	174.68
4	HT-2 (c)(i)	Govt./ Aided Hospitals & Educational Institutions	0.00	0.00	77.16	55.22
5	HT-2 (c)(ii)	Hospitals and Educational Institutions other than covered under HT-2(c) (i)	77.16	57.22	0.00	

6	HT-3(a)(i)	Lift Irrigation - Applicable to lift irrigation schemes under Govt Dept, / Govt. owned Corporations	19.24	5.04	23.22	4.43
7	HT-3(a)(ii)	Lift Irrigation - Applicable to Private lift irrigation schemes Lift Irrigaton societies on urban/express feeders	0.00	0.00	0.00	0.00
8	HT-3(a)(iii)	LI schemes other than those covered under HT 3(a)(ii)	0.00	0.00	0.00	0.00
9	HT - 3b	Irrigation & Agriculture Farms,Govt. Horticultural Farms, Pvt.Horticulture Nurseries, Coffee, Tea,Cocanut & Arecanut Plantations	0.15	0.10	0.18	0.10
10	HT-4	Residential Apartments -Colonies	13.84	8.30	16.13	9.15
11	HT-5	Temporary supply	18.60	17.04	18.60	16.74
	HT - TOTAL		**1063.83**	**747.08**	**1163.99**	**765.28**
	TOTAL		**4143.19**	**2182.49**	**4192.99**	**2172.30**
	KPC		**38.72**		**38.72**	
	Misc. Revenue			**39.14**		**39.14**
	Grand Total		**4181.91**	**2221.63**	**4231.71**	**2211.44**

* These categories are subsidised by GoK. In case subsidy is not released by the Gok in advance, ESCOM

shall raise demand & collect CDT of Rs. **5.28** unit by BJ/KJ & Rs**3.89**/unit from IP set Consumers.

ANNEX - III

ELECTRICITY TARIFF - 2015

K.E.R.C. ORDER DATED: 12.05.2014

Effective for the Electricity consumed from the first meter reading date falling on or after 01.05.2014

Mangalore
Electricity Supply Company Ltd.,

ELECTRICITY TARIFF-2015

GENERAL TERMS AND CONDITIONS OF TARIFF:
(APPLICABLE TO BOTH HT AND LT)

1. **Supply of power is subject to execution of agreement by the Consumer in the prescribed form, payment of prescribed deposits and compliance of terms and conditions as stipulated in the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka and Regulations issued under Electricity Act 2003 at the time of supply and continuation of power supply is subject to compliance of the said Conditions of Supply / Regulations as amended from time to time.**

2. **The tariffs are applicable to only single point of supply unless otherwise approved by the Licensee.**

3. **The Licensee does not bind himself to energize any installation, unless the Consumer guarantees the minimum charges. The minimum charge is the power supply charges in accordance with the tariff in force from time to time. This shall be payable by the Consumer until power supply agreement is terminated, irrespective of the installation being in service or under disconnection.**

4. **The tariffs in the schedule are applicable to power supply within the Karnataka State.**

5. **The tariffs are subject to levy of Tax and Surcharges thereon as may be decided by the State Government from time to time.**

6. For the purpose of these tariffs, the following conversion table would be used:
   1 HP=0.746 KW. 1HP=0.878 KVA.
7. The bill amount will be rounded off to the nearest Rupee, i.e., the bill amount of 50 Paise and above will be rounded off to the next higher Rupee and the amount less than 50 Paise will be ignored.
8. Use of power for temporary illumination in the premises already having permanent power supply for marriages, exhibitions in hotels, sales promotions etc., is limited to sanctioned load at the applicable permanent power supply tariff rates. Temporary tariff rates will be applicable in case the load exceeds sanctioned load as per the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.

9. No LT power supply will be given where the requisitioned load is 50 KW/67 HP and above. This condition does not apply for installations serviced under clause 3.1.1 of K.E.R.C. (Recovery of Expenditure for supply of Electricity) Regulations, 2004 and its amendments from time to time. The applicant is however at liberty to avail HT supply for lesser loads. The minimum contract demand for HT supply shall be 25 KVA or as amended from time to time by the Licensee with the approval of KERC.

10. The Consumer shall not resell electricity purchased from the Licensee to a third party except -
    (a) Where the Consumer holds a sanction or a tariff provision for distribution and sale of energy,
    (b) Under special contract permitting the Consumer for resale of energy in accordance with the provisions of the contract.

11. Non-receipt of the bill by the Consumer is not a valid reason for non-payment. The Consumer shall notify the office of issue of the bill if the same is not received within 7 days from the meter reading date. Otherwise, it will be deemed that the bills have reached the Consumer in due time.

12. The Licensee will levy the following charges for non-realization of each Cheque

1	Cheque amount upto Rs. 10,000/-	5% of the amount subject to a minimum of Rs100/-
2	Cheque amount of Rs. 10,001/- and upto Rs. 1,00,000/-	3% of the amount subject to a minimum of Rs500/-
3	Cheque amount above Rs. 1 Lakh:	2% of the amount subject to a minimum of Rs3000/-

13. In respect of power supply charges paid by the Consumer through money order, Cheque /DD sent by post, receipt will be drawn and the Consumer has to collect the same.

14. In case of any belated payment, simple interest at the rate of 1 % per month will be levied on the actual No. of days of delay subject to a minimum of Re.1/- for LT installation and Rs.100/- for HT installation. No interest is however levied for arrears of Rs.10/- and less.

15. All LT Consumers, except Bhagya Jyothi and Kutir Jyothi Consumers, shall provide current limiter/Circuit Breakers of capacity prescribed by the Licensee depending upon the sanctioned load.

16. All payments made by the Consumer will be adjusted in the following order of priority: -
    (a) Interest on arrears of Electricity Tax
    (b) Arrears of Electricity Tax
    (c) Arrears of Interest on Electricity charges
    (d) Arrears of Electricity charges

(e) Current month's dues

17. For the purpose of billing,

(i) The higher of the rated load or sanctioned load in respect of LT installations which are not provided with Electronic Tri-Vector meter.

(ii) Sanctioned load or MD recorded whichever is higher, in respect of installations provided with Electronic Tri-Vector meter will be considered.

Penalty and other clauses shall apply if sanctioned load is exceeded.

18. The bill amount shall be paid within 15 days from the date of presentation of the bill failing which the interest becomes payable.

19. For individual installations, more than one meter shall not be provided under the same tariff. Wherever two or more meters are existing for individual installation, the sum of the consumption recorded by the meters shall be taken for billing, till they are merged.

20. In case of multiple connections in a building, all the meters shall be provided at one easily accessible place in the ground floor.

21**. Reconnection charges:** The following reconnection charges shall be levied in case of disconnection and included in the monthly bill.

For reconnection of:

a	Single Phase Domestic installations under Tariff schedule LT 1 & LT2 (a)	Rs. 20 /- per installation
b	Three Phase Domestic installations under Tariff schedule LT2 (a) and Single Phase Commercial & Power installations.	Rs. 50/- per installation
c	All LT installations with 3 Phase supply other than LT2 (a)	Rs. 100/- per installation
d	All HT& EHT installations	Rs.500/- per Installation.

22. Revenue payments up to and inclusive of Rs.10, 000/- shall be made by cash or cheque or D.D and payments above Rs.10, 000/- shall be made by cheque or D.D only. Payments under other heads of account shall be made by cash or D.D up to and inclusive of Rs.10, 000/- and payment above Rs.10, 000/-shall be by D.D only.

Note: The Consumers can avail the facility of payment of monthly power supply bill through Electronic clearing system (ECS)/ Credit cards / on line E-Payment @ www.billjunction.com at counters wherever such facility is provided by the Licensee in respect of revenue payments up to the limit prescribed by the RBI.

23. For the types of installations not covered under any Tariff schedules, the Licensee is permitted to classify such installations under appropriate Tariff schedule under intimation to the K.E.R.C.

24. Seasonal Industries

Applicable to all Seasonal Industries

i) The industries that intend to avail this benefit shall have Electronic Tri-Vector Meter fitted to their installations.

i) 'Working season' months and 'off-season' months shall be determined by an order issued by the Executive Engineer of the concerned O&M Division of the Licensee as per the request of the Consumer and will continue from year to year unless otherwise altered. The Consumer shall give a clear one month's notice in case he intends to change his ' working season'.

ii) The Maximum Demand/consumption during any month of the declared off-season shall not be more than 50% of the contract demand/average consumption of the previous working season.

iii) The 'Working season' months and 'off-season' months shall be full–calendar months. If the power availed during a month exceeds the allotment for the 'off-season' month, it shall be taken for calculating the billing demand as if the month is the 'working season' month.

iv) The Consumer can avail the facility of 'off-season' up to six months in a calendar year not exceeding in two spells in that year. During the 'off-season period, the Consumer may use power for administrative offices etc., and for overhauling and repairing plant and machinery.

25 Whether an institution availing Power supply can be considered as charitable or not will be decided by the Licensee on the production of certificate Form-12 A from the Income Tax department.

26 **Time of the Tariff (ToD)**

The Commission as decides in the earlier tariff order, decide to continue compulsory Time of Day Tariff for HT2 (a) and HT2 (b) and HT2(c) consumers with a contract demand of 500 KVA and above. Further, the optional ToD would continue as existing earlier for HT2(a), HT2(b) and HT2(c) consumers with contract demand of less than 500 KVA. Also the ToD for HT1 consumers on optional basis would continue as existing earlier. Details of ToD tariff are indicated under the respective tariff category.

27. SICK INDUSTRIES: The Government of Karnataka has extended certain reliefs to sick industries under the New Industrial Policy 2001-06 vide G.O.No.CI 167 SPI 2001, dated 30.06.2001. The Commission, in its Tariff Order 2002 has accorded approval for implementation of reliefs to the sick industries as per the Government policy and the same was continued in the Tariff Order 2003. The Commission approves continuation of the implementation of reliefs to sick industries by the Licensees subject to collection of the amount of relief from the GOK in advance.

28. **Incentive for Prompt Payment / Advance Payment:** An incentive at the rate of 0.25% of such bill shall be given to the following Consumers by way of adjustment in the subsequent month's bill:

(i) In all cases of payment through ECS.

(ii) And in the case of monthly bills exceeding Rs.1, 00,000/- (Rs. one lakh), if the payment is made 10 days in advance of the due date.

(iii) Advance Payment exceeding Rs.1000/- made by the Consumers towards monthly bills

29. Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka and amendments issued thereon from time to time and Regulations issued under Electricity Act 2003 will prevail over the extract given in this tariff book in the event of any discrepancy.

30. **Self-Reading of Meters:**

The Commission has approved Self-Reading of Meters by Consumers and issue of bills by the Licensee based on such readings and the Licensee shall take the reading at least once in six months and reconcile the difference, if any and raise the bills accordingly. This procedure may be implemented by the Licensee as stipulated under Section 26.01 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.

---0---

ELECTRICITY TARIFF - 2015

PART-1

HIGH TENSION SUPPLY

Applicable to Bulk Power Supply of Voltages at 11KV (including 2.3/4.6 KV) and above at Standard High Voltage or Extra High Voltages

when the Contract Demand is 50 KW / 67 HP and above.

ELECTRICITY TARIFF - 2015

PART-1

HIGH TENSION SUPPLY

Applicable to Bulk Power Supply at Voltages of 11KV (including 2.3/4.6 KV) and above at Standard High Voltage or Extra High Voltages when the Contract Demand is 50 KW / 67 HP and above.

CONDITIONS APPLICABLE TO BILLING OF HT INSTALLATIONS:

1. **Billing Demand**

A) The billing demand during unrestricted period shall be the maximum demand recorded during the month or 75% of the CD, whichever is higher.

B) When the Licensee has imposed demand cut of 25% or less, the conditions stipulated in (A) shall apply.

C) When the demand cut is in excess of 25%, the billing demand shall be the maximum demand recorded or 75% of the restricted demand, whichever is higher.

D) If at any time the maximum demand recorded exceeds the CD, or the demand entitlement, or opted demand entitlement during the period of restrictions, if any, the Consumer shall pay for the quantum of excess demand at two times the normal rate per KVA per month as deterrent charges as per Section No. 126(6) of Electricity Act 2003. If time of day Meter is fixed and is operational, there will be no penalty for over drawal upto 1. 2 times the Contract Demand during off peak hours, provided, the Licensee has declared the peak and off peak periods. For over drawal during peak periods, and over drawal above 1.2 times the Contract Demand during off peak hours, the penalty shall be two times the normal rate.

E) During the periods of disconnection, the billing demand shall be 75% of CD, or 75% of the demand entitlement that would have been applicable, had the installation been in service, whichever is less. This provision is applicable only, if the installation is under disconnection for the entire billing month.

F) During the period of energy cut, the Consumer may get his demand entitlement lowered, but not below the percentage of energy entitlement, (For example, In case the energy entitlement is 40%

and the demand entitlement is 80%, the re-fixation of demand entitlement cannot be lower than 40% of the CD). The benefit of lower demand entitlement will be given effect to from the meter reading date of the same month, if the option is exercised on or before 15th of the month. If the option is exercised on or after 16th of the month, the benefit will be given effect to from the next meter reading date. The Consumer shall register such option by paying processing fee of Rs.100/- at the Jurisdictional sub-division office.

(i) The billing demand in such cases, shall be the "Revised (Opted) Demand Entitlement" or, the recorded demand, whichever is higher. Such option for reduction of demand entitlement, is allowed only once during the entire span of that particular "Energy Cut Period". The Consumer, can however opt for a higher demand entitlement up to the level permissible under the demand cut notification, and the benefit will be given effect to from the next meter reading date. Once the Consumer opts for enhancement of demand, which has been reduced under Clause (F), no further revision is permitted during that particular energy cut period.

(ii) The opted reduced demand entitlement will automatically cease to be effective, when the energy cut is revised. The facility for reduction and enhancement can however be exercised afresh by the Consumer as indicated in the previous paras.

G) For the purpose of billing, the billing demand of 0.5 KVA and above will be rounded off to the next higher KVA, and billing demand of less than 0.5 KVA shall be ignored.

2. **Power factor (PF)**

It shall be the responsibility of the HT Consumer to determine the capacity of PF correction apparatus and maintain an average PF of not less than 0.90.

(i) The specified P.F. is 0.90. If the power factor goes below 0.90 Lag, a surcharge of 3 Paise per unit consumed will be levied for every reduction of P.F. by 0.01 below 0.90 Lag.

(ii) The power factor when computed as the ratio of KWh / KVAh will be determined up to 3 decimals (ignoring figures in the other decimal places), and then rounded off to the nearest second decimal as illustrated below:
(a) 0.8949 to be rounded off to 0.89
(b) 0.8951 to be rounded off to 0.90

In respect of Electronic Tri-Vector meters, the recorded average PF over the billing period shall be considered for billing purposes. If the same is not available, the ratio of KWh to KVAh consumed in the billing month shall be considered.

3. **Rebate for supply at high voltage:**
If the Consumer is availing power at voltage higher than 13.2 KV, he will be entitled to a rebate as indicated below:
Supply Voltage: Rebate
A) 33/66 KV 2 Paise/unit of energy consumed
B) 110 KV 3 Paise/unit of energy consumed
C) 220 KV 5 Paise/unit of energy consumed

The above rebate will be allowed in respect of all the installations of the above voltage class, including the existing installations, and also for installations converted from 13.2 KV and below to 33 KV and above and also for installations converted from 33/66 KV to 110/220 KV, from the next meter reading date after conversion / service / date of notification of this Tariff order, as the case may be. The above rebate is applicable only on the normal energy consumed by the Consumer, including the consumption under TOD Tariff, and is not applicable on any other energy allotted and consumed, if any, viz.,
i) Wheeled Energy.
ii) Any energy, including the special energy allotted over and above normal entitlement.
iii) Energy drawal under special incentive scheme, if any.
The above rebate is not applicable for Railway Traction.

4. In respect of Residential Quarters/ Colonies availing Bulk power supply by tapping the main HT supply, the energy consumed by such Colony loads, metered at single point, shall be billed under HT-4 tariff schedule. No reduction in demand recorded in the main HT meter will be allowed.

5. Energy supplied may be utilized for all purposes associated with the working of the installations, such as, Office, Stores, Canteens, Yard Lighting, Water Supply and Advertisements within the premises.
6. Energy can also be used for construction, modification and expansion purposes within the premises.
7. Power supply under HT-4 tariff schedule may be used for Commercial and other purposes **inside the colony,** for installations such as Canteen, Club, Shop, Auditorium etc., provided, this load is less than 10% of the CD.
8. In respect of **Residential Apartments** availing HT Power supply under HT-4 tariff schedule, the supply availed for Commercial and other purposes like Shops, Hotels, etc., will be billed under appropriate tariff schedule, (Only Energy charges) duly deducting such consumption in the main HT supply bill. No reduction in the recorded demand of the main HT meter is allowed. Common areas shall be billed at Tariff applicable to that of the predominant Consumer category.
9. **Seasonal Industries**

a. The industries, which intend to utilize seasonal industry benefit, shall conform to the conditionalities under Para no. 24 of the General terms and conditions of tariff (applicable to both HT & LT).
b. The industries that intend to avail this benefit, shall have Electronic Tri-Vector Meter fitted to the installation.
c. Monthly charges during the working season shall be the demand charges on 75% of the contract demand or the recorded maximum demand during the month, whichever is higher, plus the energy charges
d. Monthly charges during the off season, shall be demand charges on the maximum demand recorded during the month, or 50% of the CD whichever is higher plus the energy charges.

TARIFF SCHEDULE HT 1

[[Applicable to Water Supply, Drainage / Sewerage water treatment plant and Sewerage Pumping installations, belonging to Karnataka Urban Water Supply and Sewerage Board, other local bodies, State and Central Government.

RATE SCHEDULE

Demand charges	Rs180/-KVA of billing demand/month
Energy charges	400 paise/unit

TOD Tariff at the option of the Consumer

Time of Day	Increase + / reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	+ 100 paise per unit

Note: Energy supplied to residential quarters availing bulk supply by the above category of Consumer, shall be metered separately at a single point, and the energy consumed shall be billed at HT-4 Tariff. No reduction in the demand recorded in the main HT meter will be allowed.

TARIFF SCHEDULE HT-2(a)

Applicable to Industries, Factories, Workshops, Research & Development Centres, Industrial Estates, Milk dairies, Rice Mills, Phova Mills, Roller Flour Mills, News Papers, Printing Press, Railway Workshops/KSRTC Workshops/ Depots, Crematoriums, Cold Storage, Ice & Ice-cream mfg. Units, Swimming Pools of local bodies, Water Supply Installations of KIADB and other industries, all Defence Establishments. Hatcheries, Poultry Farm, Museum, Floriculture, Green House, Bio Technical Laboratory, Hybrid Seeds processing Units, Stone Crushers, Stone cutting, Bakery Product Manufacturing Units, Mysore Palace illumination, Film Studios, Dubbing

Theatres, Processing, Printing, Developing and Recording Theaters, Tissue Culture, Aqua Culture, Prawn Culture, Information Technology Industries engaged in development of Hardware & Software, Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics as certified by the IT & BT Department of GOK/GOI, Drug Mfg. Units, Garment Mfg. Units, Tyre retreading units, Nuclear Power Projects, Stadiums maintained by Government and local bodies, also Railway Traction, Effluent treatment plants and Drainage water treatment plants owned other than by the local bodies, LPG bottling plants, petroleum pipeline projects, Piggery farms, Analytical Lab for analysis of ore metals, Saw Mills, Toy/wood industries, Satellite communication centers, and Mineral water processing plants / drinking water bottling plants.

RATE SCHEDULE

HT-2(a): Applicable to all areas of MESCOM.

• **Demand charges**	Rs170/kVA of billing demand/month
Energy charges	
For the first one lakh units	570 paise per unit
For the balance units	600 paise per unit
Railway Traction and Effluent Treatment Plants	
Demand charges	Rs180/kVA of billing demand/month
Energy Charges	540 paise per unit for all the units

TARIFF SCHEDULE HT-2(b)

Applicable to Commercial Complexes, Cinemas, Hotels, Boarding & Lodging, Amusement Parks, Telephone Exchanges, Race Course, All Clubs, T.V. Station, All India Radio, Railway Stations, Air Port, KSRTC bus stations, All offices, Banks, Commercial Multi-storied buildings.

APMC Yards, Stadiums other than those maintained by Government and Local Bodies, Construction power for irrigation, Power Projects and Konkan Railway Project, Petrol / Diesel and Oil storage plants, I.T. based medical transcription centers, telecom, call centers, BPO/KPO.

RATE SCHEDULE
HT-2 (b): Applicable to all areas of MESCOM

Demand charges	Rs. 190 /kVA of billing demand/month
Energy charges	
For the first two lakh units	715 paise per unit
For the balance units	745 paise per unit

TARIFF SCHEDULE HT-2(c)

RATE SCHEDULE

HT-2 (c) (i)- Applicable to Government Hospitals and Hospitals run by Charitable Institutions and ESI hospitals and Universities, Educational Institutions belonging to Government, Local bodies, Aided Institutions and Hostels of all Educational Institutions.

Demand charges	Rs170/kVA of billing demand /month
Energy charges	
For the first one lakh units	540 paise per unit
For the balance units	590 paise per unit

RATE SCHEDULE

HT-2 (c) (ii) - Applicable to Hospitals and Educational Institutions other than those covered under HT-2 (c)(i).

Demand charges	Rs170 /kVA of billing demand/month
Energy charges	
For the first one lakh units	640 paise per unit
For the balance units	690 paise per unit

Note: Applicable to HT-2 (a) , HT-2 (b) & HT-2(c) Tariff Schedule.

1. Energy supplied may be utilized for all purposes associated with the working of the installation such as offices, stores, canteens, yard lighting, water pumping and advertisement within the premises.
2. Energy can be used for construction, modification and expansion purposes within the premises.

TOD Tariff applicable to HT-2(a), HT-2(b) and HT-2(c) category.

Time of Day	Increase + / reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	+ 100 paise per unit

TARIFF SCHEDULE HT-3 (a)

Applicable to Lift irrigation Schemes/ Lift irrigation societies,

RATE SCHEDULE

HT-3 (a)(i): Applicable to LI schemes under Govt. Departments/ Govt. owned Corporations

Energy charges/ Minimum Charges	150 **paise** per unit subject to an annual minimum of **Rs1000** per HP/Annum

HT-3(a)(ii): Applicable to Private LI schemes and Lift Irrigation societies: Connected to Urban/Express feeders

Fixed Charges	Rs30 /HP/PM of sanctioned load
Energy charges	150 paise/unit

HT-3(a)(iii): Applicable to Private LI schemes and Lift Irrigation societies other than those covered under HT-3 (a)(ii)

Fixed Charges	Rs10 /HP/PM of sanctioned load
Energy charges	150 paise/unit

TARIFF SCHEDULE HT-3 (b)

HT-3 (b): Applicable to Irrigation and Agricultural Farms, Government Horticultural Farms, Private Horticulture nurseries, Coffee, Tea, Rubber, Coconut & Arecanut Plantations.

RATE SCHEDULE

Energy charges / Minimum Charges	350 **Ps. Per unit** subject to an annual minimum of **Rs1000/- per HP** of sanctioned load.

Note: These installations are to be billed on quarter yearly basis.

TARIFF SCHEDULE HT-4

Applicable to Residential apartments and colonies (whether situated outside or inside the premises of the main HT Installation) availing power supply independently or by tapping the main H.T. line. Power supply can be used for residences, theatres, shopping facility, club, hospital, guest house, yard/street lighting, canteen located within the colony.

RATE SCHEDULE

Applicable to all areas

Demand charges	Rs. 100/- per KVA of billing demand
Energy charges	530 paise/unit

NOTE: (1) In respect of residential colonies availing power supply by tapping the main H.T. supply, the energy consumed by such colony loads metered at a single point, is to be billed at the above energy rate. No reduction in the recorded demand of the main H.T. supply is allowed.

(2) Energy under this tariff may be used for commercial and other purposes inside the colonies for installations such as, Canteens, Clubs, Shops, Auditorium etc., provided, this commercial load is less than 10% of the Contract demand.

(3) In respect of Residential Apartments, availing HT Power supply under HT-4 tariff schedule, the supply availed for Commercial and other

purposes like Shops, Hotels, etc., will be billed under appropriate tariff schedule (Only Energy charges), duly deducting such consumption in the main HT supply bill. No reduction in the recorded demand of the main HT meter is allowed. Common areas shall be billed at Tariff applicable to the predominant Consumer category.

TARIFF SCHEDULE HT-5

Tariff applicable to 67 HP and above hoardings and advertisement boards and construction power for industries excluding those category of consumers covered under HT2(b) Tariff schedule availing power supply for construction power for irrigation, power projects and Konkan Railway Projects and also applicable to power supply availed on temporary basis with the contract demand of 67 HP and above of all categories.

HT – 5 – Temporary supply

RATE SCHEDULE

67 HP and above:	
Fixed charges / Demand Charges	Rs210/HP/month for the entire sanction load / contract demand
Energy Charge	900 paise / unit

Note:

1. Temporary power supply with or without extension of distribution main shall be **arranged through a pre–paid energy meter** duly observing the provisions of Clause 12 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.
2. This Tariff is also applicable to touring cinemas having licence for duration less than one year.
3. All the conditions regarding temporary power supply as stipulated in Clause 12 the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka shall be complied with before service.

ELECTRICITY TARIFF-2015

PART-II

LOW TENSION SUPPLY
(400 Volts Three Phase and 230Volts Single Phase Supply)

ELECTRICITY TARIFF - 2015

PART-II

LOW TENSION SUPPLY
(400 Volts Three Phase and 230Volts Single Phase Supply)

CONDITIONS APPLICABLE TO BILLING OF LT INSTALLATIONS:

1. In case of LT Industrial / Commercial Consumers, **Demand based Tariff** at the option of the Consumer, can be adopted. The Consumer is permitted to have more connected load than the sanctioned load. The billing demand will be the sanctioned load, or Maximum Demand recorded in the Tri-Vector Meter during the month, whichever is higher. If the Maximum Demand recorded is more than the sanctioned load, penal charges at two times the normal rate shall apply.
2. Use of power within the Consumer premises for bonafide temporary purpose is permitted subject to the conditions that, total load of the installation on the system does not exceed the sanctioned load.
3. Where it is intended to use power supply temporarily, for floor polishing and such other portable equipments, in a premises having permanent power supply, such equipments shall be provided with earth leakage circuit breakers of adequate capacity.
4. The laboratory installations in educational institutions are allowed to install connected machineries up to 4 times the sanctioned load. The fixed charges shall however be on the basis of sanctioned load.
5. Besides combined lighting and heating, electricity supply under tariff schedules LT2 (a) & LT2 (b), can be used for Fans, Televisions, Radios, Refrigerators and other household appliances, including domestic water pumps and air conditioners, provided, they are under single meter connection. If a separate meter is provided for Air-conditioner load, the Consumer shall be served with a notice to merge this load and to have a single meter for the entire load. Till such time, the air conditioner load will be billed under Commercial Tariff.

6. **Bulk LT supply**

   If power supply for lighting / combined lighting & heating {LT 2(a)}, is availed through a bulk Meter for group of houses belonging to one Consumer, (ie, Where bulk LT supply is availed), the billing for energy shall be done at the slab rate for energy charges matching the consumption obtained by dividing the bulk consumption by number of houses. In addition, fixed charges for the entire sanctioned load shall be charged as per Tariff schedule.
7. A rebate of 25 Paise per unit will be given for the House/ School/Hostels meant for Handicapped, Aged, Destitute and Orphans, Rehabilitation Centres under Tariff schedule LT 2(a).
8. **SOLAR REBATE:** A rebate of 50 Paise per unit of electricity consumed subject to a maximum of Rs. 50/- per installation per month will be allowed to Tariff schedule LT 2(a), if solar water heaters are installed and used. Where Bulk Solar Water Heater System is installed, Solar Water Heater rebate shall be allowed to each of the individual installations, provided that, the capacity of Solar Water Heater in such apartment / group housing shall be a minimum capacity of 100 Ltr. per household.
9. A rebate of 20% on fixed charges and energy charges will be allowed in the monthly bill in respect of public Telephone booths having STD/ISD/ FAX facility run by handicapped people, under Tariff schedule LT 3.
10. A rebate of 2 paise per unit will be allowed if capacitors are installed as per Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka in respect of all metered IP Set Installations.

11. **Power Factor (PF):**

Capacitors of appropriate capacity shall be installed in accordance with Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka, in case of installations covered under Tariff category LT 3, LT4, LT 5, & LT 6, where motive power is involved.

(i) The specified P.F. is 0.85. If the PF is found to be less than 0.85 Lag, a surcharge of 2 Paise per unit consumed will be levied for every reduction of P.F. by 0.01 below 0.85 Lag. In respect of LT installations, however, this is subject to a maximum surcharge of 30 Paise per unit.

(ii) The power factor when computed as the ratio of KWh/KVAh will be determined up to 3 decimals (ignoring figures in the other decimal places) and then rounded off to the nearest second decimal as illustrated below:

(a) 0.8449 to be rounded off to 0.84
(b) 0.8451 to be rounded off to 0.85

(iii) In respect of Electronic Tri-Vector meters, the recorded average PF over the billing period shall be considered for billing purposes.

(iv) During inspection, if the capacity of capacitors provided is found to be less than what is stipulated in Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka, a surcharge of 30 Paise/unit will be levied in the case of installations covered under Tariff categories LT 3, LT 5, & LT 6 where motive power is involved.

(v) In the case of installations without electronic Tri-vector meters even after providing capacitors as recommended in Clause 23.01 and 23.03 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka, if during any periodical or other testing / rating of the installation by the Licensee, the PF of the installation is found to be lesser than 0.85, a surcharge determined as above shall be levied from the billing month following the expiry of Three months' notice given by the Licensee, till such time, the additional capacitors are installed and informed to the Licensee in writing by the Consumer. This is also applicable for LT installations provided with electronic Tri-vector meters.

12. All new IP set applicants shall fix capacitors of adequate capacity in accordance with Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka before taking service.

13. All the existing IP set Consumers shall also fix capacitors of adequate capacity in accordance with Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka, failing which, PF **surcharge at the rate of Rs.60/-per HP/ year** shall be levied. If the capacitors are found to be removed / not installed, a penalty at the same rate as above (Rs. 60/-per HP / Year) shall be levied.

14. The Semi-permanent cinemas having Semi-permanent structure, with permanent wiring and licence of not less than one year, will be billed under commercial tariff schedule i.e., LT 3.

15. Touring cinemas having an outfit comprising cinema apparatus and accessories, taken from place to place for exhibition of cinematography films, and also outdoor shooting units, will be billed under Temporary Tariff schedule i.e., LT 7.

16. The Consumers under IP set tariff schedule, shall use the energy only for pumping water to irrigate their own land as stated in the IP set application / water right certificate and for bonafide agriculture use. Otherwise, such installations shall be billed under appropriate Industrial / Commercial tariff, based on the recorded consumption if available, or on the consumption computed as per the Table given under Clause 42.06 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.

17. The water pumped for agricultural purposes may also be used by the Consumer for his bonafide drinking purposes and for supplying water to animals, birds, Poultry farms, Diary farms and fish farms maintained by the Consumer in addition to agriculture.

18. The motor of IP set installations can be used with an alternative drive for other agricultural operations like sugar cane crusher, coffee pulping, etc., with the approval of the Licensee. The energy used for such operation, shall be metered separately by providing alternate switch and charged at LT Industrial Tariff (Only Energy charges) during the period of alternative use. However, if the energy used both for IP Set and alternate operation is measured together by one energy meter, the energy used for alternate drive shall be estimated by deducting the average IP Set consumption for that month as per the IP sample meter readings for the sub division, as certified by the sub divisional Officer.

19. The IP Consumer is permitted to use energy for lighting the pump house and well limited to two lighting points of 40 Watts each.

20. Billing shall be made at least once in a quarter year for all IP sets.

21. In case of welding transformers, the connected load shall be taken as:

    a) Half the maximum capacity in KVA as per the nameplate specified under IS: 1851

    OR

    b) Half the maximum capacity in KVA as recorded during the rating by the Licensee, whichever is higher.

22. Electricity under Tariff LT 3 / LT 5 can also be used for Lighting, Heating and Air-conditioning, Yard-Lighting, water supply in the premises of Commercial / Industrial Units respectively.

23. Fluorescent fittings shall be provided by the Licensee for the Streetlights in the case of villages covered under the Licensee's electrification programme for initial installation.

    In all other cases, the entire cost of fittings including Brackets, Clamps, etc., and labour for replacement, additions and modifications shall be met by the organizations making such a request. Labour charges shall be paid at the standard rates fixed by the Licensee for each type of fitting.

24. Lamps, fittings and replacements for defective components of fittings shall be supplied by the concerned Village Panchayaths, Town Panchayaths or Municipalities for replacement.
25. Fraction of KW / HP shall be rounded off to the nearest quarter KW / HP for purpose of billing and the minimum billing being for 1 KW / 1HP in respect of all categories of LT installations including I.P. sets. **In the case of street lighting installations, fraction of KW shall be rounded off to nearest quarter KW for the purpose of billing and the minimum billing shall be quarter KW.**

26. Seasonal Industries.

a) The industries who intend to utilize seasonal industry benefit, shall comply with the conditionalities under Para no. 24 of the General terms and conditions of tariff (applicable to both HT & LT).
b) The industries that intend to avail this benefit, shall have Electronic Tri-Vector Meter fitted to their installation.
c) Monthly charges during the seasonal months shall be fixed charges and energy charges. The monthly charges during the off seasonal months, shall be the energy charges plus 50% of the fixed charges.

TARIFF SCHEDULE LT-1

LT-1: Applicable to installations serviced under Bhagya Jyothi and Kutira Jyothi (BJ/KJ) schemes.

RATE SCHEDULE

Energy charges (including recovery towards service main charges)	Nil* Fully subsidized by the GOK

Commission Determined Tariff for the above category i.e., LT-1 is Rs.5.28 per unit.

***Since GOK is meeting the full cost of supply to BJ / KJ, the Tariff payable by these Consumers is shown as Nil. However, if the GOK does not release the subsidy in advance, a Tariff of Rs.5.28 per unit subject to monthly minimum of Rs. 30/- per Installation per month shall be demanded and collected from these Consumers.**

Note: If the consumption exceeds 18 units per month or any BJ/KJ installation is found to have more than one out let, it shall be billed as per Tariff Schedule LT 2(a).

TARIFF SCHEDULE LT-2(a)

Applicable to **lighting/combined lighting, heating and motive Power** installations of residential houses and also to such houses where a portion is used by the occupant for (a) Handloom weaving (b) Silk rearing and reeling and artisans using motors up to 200 watts (c) Consultancy in (i) Engineering (ii) Architecture (iii) Medicine (iv) Astrology (v) Legal matters (vi) Income tax (vii) Chartered Accountants (d) Job typing (e) Tailoring (f) Post Office (g) Gold smithy (h) Chawki rearing (i) Paying guests/Home stay guests (j) personal Computers (k) Dhobis (l) Hand operated printing press (m) Beauty Parlours (n) Water Supply installations, Lift which is independently serviced for bonafide use of residential complexes/residence, (o) Farm Houses and yard lighting limiting to 120 Watts, (p) Fodder Choppers & Milking Machines with a connected load up to 1 HP.

Also applicable to the installations of (i) Hospitals, Dispensaries, Health Centers run by State/Central Govt. and local bodies. (ii) Houses, schools and Hostels meant for handicapped, aged destitute and orphans (iii) Rehabilitation Centres run by charitable institutions, AIDS and drug addicts Rehabilitation Centres (iv) Railway staff Quarters with single meter (v) fire service stations.

It is also applicable to the installations of (a) Temples, Mosques, Churches, Gurudwaras, Ashrams, Mutts and religious/Charitable institutions (b) Hospitals, Dispensaries and Health Centres run by Charitable institutions including X-ray units (c) Jails and Prisons (d) Schools, Colleges, Educational institutions run by State/Central Govt.,/Local Bodies (e) Seminaries (f) **Hostels run by the Government, Educational Institutions, Cultural, Scientific and Charitable Institutions** (g) Guest Houses/Travelers Bungalows run in Government buildings or by State/Central Govt./Religious/Charitable institutions (h) Public libraries (i) Silk rearing (j) Museums (k) Installations of Historical Monuments of Archeology Departments(l) Public Telephone Booths without STD/ISD/FAX facility run by handicapped people (m) Sulabh / Nirmal Souchalayas (n) Viswa Sheds having Lighting Loads only.

RATE SCHEDULE

LT 2 (a) (i): Applicable to areas coming under City Municipal Corporations and all areas under Urban Local Bodies

Fixed charges per month	For the first KW	Rs25/- per KW
	For every additional KW	Rs35/- per KW
Energy charges	For 0 - 30 units **(Lifeline consumption)**	270 Ps/unit
	31 to 100 units	400 Ps /unit
	101 to 200 units	525 Ps/unit
	Above 200 units	625 Ps/unit

LT-2(a)(ii): Applicable to Areas under Village Panchayats

Fixed charges per month	For the first KW	Rs15/- per KW
	For every additional KW	Rs25/- per KW
Energy charges	For 0 - 30 units **(Lifeline consumption)**	260 Ps/unit
	31 to 100 units	370 Ps /unit
	101 to 200 units	495 Ps/unit
	Above 200 units	575 Ps/unit

TARIFF SCHEDULE LT-2(b)

Applicable to the installations of Private Professional and other Private Educational Institutions including aided, unaided institutions, Nursing Homes and Private Hospitals having only lighting or combined lighting & heating, and motive power.

RATE SCHEDULE

LT 2 (b) (i): Applicable to all areas coming under Urban Local Bodies including City Corporations

Fixed charges	Rs35 Per KW subject to a minimum of Rs65 PM	
Energy charges	0 to 200 units	600 Ps/unit
	Above 200 units	720 Ps/unit

LT-2(b)(ii): Applicable in Areas under Village Panchayats

Fixed charges	Rs25 per KW subject to a minimum of Rs50 PM	
Energy charges	0 to 200 units	550 Ps/unit
	Above 200 units	670 Ps/unit

Note: Applicable to LT-2 (a), LT-2 (b) Tariff Schedules.

1 A rebate of 25 Ps. Per unit shall be given for installation of a house/ School/ Hostels meant for Handicapped, Aged, Destitute and Orphans, Rehabilitation Centres run by Charitable Institutions.

2 (a) Use of power within the Consumer's premises for temporary purposes for bonafide use is permitted subject to the condition that, the total load of the installation on the system does not exceed the sanctioned load.

(b) Where it is intended to use floor polishing and such other portable equipment temporarily, in the premises having permanent supply, such equipment shall be provided with an earth leakage circuit breaker of adequate capacity.

3 The laboratory installations in educational institutions are allowed to install connected machinery up to 4 times the sanctioned load. The fixed charges shall however be on the basis of sanctioned load.

4. Besides lighting and heating, Electricity supply under this schedule can be used for fans, Televisions, Radios, Refrigerators and other house-hold appliances including domestic water pump and air conditioners, provided, they are under single meter connection. If a separate meter is provided for Air conditioner Load, the consumption shall be under commercial tariff till it is merged with the main meter.

5. **SOLAR REBATE:** A rebate of 50 Paise per unit of electricity consumed to a maximum of Rs.50/- per installation per month will be allowed to Tariff schedule LT 2(a), if solar water heaters are installed and used. Where Bulk Solar Water Heater System is installed, Solar Water Heater rebate shall be allowed to each of the individual installations, provided that, the capacity of Solar Water Heater in such apartment / group housing shall be a minimum capacity of 100 Ltr, per household.

TARIFF SCHEDULE LT-3

Applicable to **Commercial Lighting, Heating and Motive Power** installations of Clinics, Diagnostic Centers, X Ray units, Shops, Stores, Hotels/Restaurants/Boarding and Lodging Homes, Bars, Private guest Houses, Mess, Clubs, Kalyan Mantaps / Choultry, permanent Cinemas/ Semi Permanent Cinemas, Theatres, Petrol Bunks, Petrol, Diesel and oil Storage Plants, Service Stations/ Garages, Banks, Telephone Exchanges. T.V.Stations, Microwave Stations, All India Radio, Dish Antenna, Public Telephone Booths/ STD, ISD, FAX

Communication Centers, Stud Farms, Race Course, Ice Cream Parlours, Computer Centres, Photo Studio / colour Laboratory, Xerox Copiers, Railway Installation excepting Railway workshop, KSRTC Bus Stations excepting Workshop, All offices, Police Stations, Commercial Complexes, Lifts of Commercial Complexes, Battery Charging units, Tyre Vulcanizing Centres, Post Offices, Bakery shops, Tailoring Shops, Beauty Parlours, Stadiums other than those maintained by Govt. and Local Bodies. It is also applicable to water supply pumps and street lights not covered under LT 6, Cyber cafés, Internet surfing cafés, Call centers, I.T. based medical transcription centers, Private Hostels not covered under LT -2 (a), Paying guests accommodation provided in an independent / exclusive premises.

RATE SCHEDULE

LT-3 (i): Applicable in areas under all urban local bodies including City Municipal Corporations.

Fixed charges	Rs. 40 per KW	
Energy charges	For 0 - 50 units	675 Ps /unit
	Above 50 units	775 Ps /unit

Demand based tariff (optional) where sanctioned load is above 5 KW but below 50 KW	
Fixed charges	Rs. 55 per KW
Energy charges	As above

RATE SCHEDULE

LT-3 (ii): Applicable in Areas under Village Panchayats

Fixed charges	Rs. 30 per KW	
Energy charges	For 0 - 50 units	625 Ps /unit
	Above 50 units	725 Ps /unit

Demand based tariff (optional) where sanctioned load is above 5 KW but below 50 KW	
Fixed charges	Rs. 45 per KW
Energy charges	As above

Note: 1. Besides Lighting, Heating and Motive power, Electricity supply under this Tariff can also be used for Yard lighting/ air Conditioning/water supply in the premises.

2. The semi-permanent Cinemas should have semi-Permanent Structure with permanent wiring and licence for a duration of not less than one year.
3. Touring Cinemas having an outfit comprising Cinema apparatus and accessories taken from place to place for exhibition of cinematography film and also outdoor shooting units shall be billed under LT- 7 Tariff.
4. A rebate of 20% on fixed charges and energy charges shall be allowed in the monthly bill in respect of telephone Booths having STD / ISD/FAX facility run **by handicapped people.**
5. **Demand based Tariff at the option of the Consumer can be adopted as per Para 1 of the conditions applicable to LT installations.**

TARIFF SCHEDULE LT-4 (a), LT-4 (b) & LT-4(c)

Applicable to (a) Agricultural Pump Sets including Sprinklers (b) Pump sets used in (i) Nurseries of forest and Horticultural Departments (ii) Grass Farms and Gardens (iii) Plantations other than Coffee, Tea, Rubber and Private Horticulture Nurseries

TARIFF SCHEDULE LT-4 (a)

Applicable to I.P. Sets Up to and inclusive of 10 HP

RATE SCHEDULE

Fixed charges	Free
Energy charges	

Commission Determined Tariff (CDT) for LT4 (a) category is 389 paise per unit. In case the GOK does not release the subsidy in advance in the manner specified by the Commission in K.E.R.C. (Manner of Payment of subsidy) Regulations, 2008, CDT of 389 paise per unit shall be demanded and collected from these Consumers.

Note: This Tariff is applicable for Coconut and Areca nut plantations also.

TARIFF SCHEDULE LT-4 (b):

Applicable to IP sets above 10 HP

RATE SCHEDULE

Fixed charges	Rs30 per HP per month.
Energy charges	215 paise per unit

TARIFF SCHEDULE LT-4 (c) (i):

Applicable to Private Horticultural Nurseries, Coffee, Tea and Rubber plantations of sanctioned load up to and inclusive of 10 HP.

RATE SCHEDULE

Fixed charges	Rs20 per HP per month.
Energy charges	215 paise per unit

TARIFF SCHEDULE LT-4 (c)(ii):

Applicable to Private Horticultural Nurseries, Coffee , Tea and Rubber plantations of sanctioned load above 10 HP.

RATE SCHEDULE

Fixed charges	Rs30 per HP per month.
Energy charges	215 paise per unit

Note:

1) The energy supplied under this tariff shall be used by the Consumers only for Pumping water to irrigate their own land as stated in the I.P. Set application / water right certificate and for bonafide agriculture use. Otherwise, such installations shall be billed under the appropriate Tariff (LT-3/ LT-5) based on the recorded consumption if available, or on the consumption computed as per the Table given under Clause 42.06 of

the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.

2) The motor of IP set installations **can be used with an alternative drive for other agricultural operations like sugar cane crusher, coffee pulping, etc.,** with the approval of the Licensee. The energy used for such operation shall be metered separately by providing alternate switch and charged at LT Industrial Tariff (Only Energy charges) during the period of alternative use. If the energy used both for IP Set and alternate operation, is however measured together by one energy meter, the energy used for alternate drive shall be estimated by deducting the average IP Set consumption for that month as per the IP sample meter readings for the sub division as certified by the sub divisional Officer.

3) The Consumer is permitted to use the energy for lighting the pump house and well limited to 2 lighting points of 40 W each.

4) The water pumped for agricultural purposes may also be used by the Consumer for his bonafide drinking purposes and for supplying water to animals, birds, Poultry farms, Diary farms and fish farms maintained by the Consumer in addition to agriculture.

5) Billing shall be made at least once in a quarter year for all IP sets.

6) A rebate of 2 paise per unit will be allowed if capacitors are installed as per Clause 23 of Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka in respect of all metered IP Set Installations.

7) Only fixed charges as in Tariff Schedule for Metered IP Set Installations shall be collected during the disconnection period of IP Sets under LT 4(a), LT 4(b) and LT 4(c) categories irrespective of whether the IP Sets are provided with Meters or not.

TARIFF SCHEDULE LT-5

Applicable to **Heating & Motive power (including lighting)** installations of industrial Units, Workshops, Poultry Farms, Sugarcane Crushers, Coffee Pulping, Cardamom drying, Mushroom raising installations, Flour, Huller & Rice Mills, Wet Grinders, Milk dairies, Dry Cleaners and Laundries having washing, Drying, Ironing etc., Bulk Ice Cream and Ice manufacturing Units, Coffee Roasting and Grinding Works, Cold Storage Plants, Bakery Product Mfg. Units, KSRTC workshops/Depots, Railway workshops, Drug manufacturing units and Testing laboratories, Printing Presses, Garment manufacturing units, Bulk Milk vending Booths, Swimming Pools of local Bodies, Tyre retreading units, Stone crushers, Stone cutting, Chilly Grinders, Phova Mills, pulverizing Mills, Decorticators, Iron & Red-Oxide crushing units, crematoriums, hatcheries, Tissue culture, Saw Mills, Toy/wood industries, Viswa Sheds with mixed load sanctioned under Viswa Scheme, Cinematic activities such as Processing, Printing, Developing, Recording theatres, Dubbing Theatres and film studios, Agarbathi manufacturing unit., Water supply installations of KIADB & industrial units, Gem & Diamond cutting Units, Floriculture, Green House, Biotech Labs., Hybrid seed processing units. Information Technology industries engaged in development of hardware & Software, Information Technology (IT) enabled Services / Start-ups/ Animation / Gaming / Computer Graphics as certified by the IT & BT Department of GOK/GOI, Silk filature units, Aqua Culture, Prawn Culture, Brick manufacturing units, Silk / Cotton colour dying, Stadiums maintained by Govt. and local bodies, Fire service stations, Gold / Silver ornament manufacturing units, Effluent treatment plants, Drainage water treatment plants, LPG bottling plants and petroleum pipeline projects, Piggery farms, Analytical Lab. for analysis of ore metals, Satellite communication centers, Mineral water processing plants / drinking water bottling plants and soda fountain units.

RATE SCHEDULE

LT 5 Applicable to all the areas of MESCOM

i. Fixed charges

Fixed charges	i) Rs25 per HP for 5 HP & below ii) Rs30 per HP for above 5 HP & below 40 HP iii) Rs35 per HP for 40 HP & above but below 67 HP iv)Rs100 per HP for 67 HP & above

ii. Demand based Tariff (optional)

Fixed charges	Above 5 HP and less than 40 HP	Rs45 per KW of billing demand
	40 HP and above but less than 67 HP	Rs60 per KW of billing demand
	67 HP and above	Rs150 per KW of billing demand

iii. Energy Charges

0 to 500 units	455 Ps/unit
501 to 1000 units	535 Ps/unit
Above 1000 units	565 Ps/unit

TOD Tariff applicable to LT-5: At the option of the Consumer

Time of Day	Increase+ / reduction (-) in energy charges over the normal tariff applicable
22.00 Hrs to 06.00 Hrs	(-) 125 paise per unit
06.00 Hrs to 18.00 Hrs	0
18.00 Hrs to 22.00 Hrs	+ 100 paise per unit

NOTE:

1. DEMAND BASED TARIFF

In the case of LT Industrial Consumers, **Demand based Tariff** at the option of the Consumer can be adopted. The Consumer is permitted to have more connected load than the sanctioned load. The billing demand will be the sanctioned load or Maximum Demand recorded in the Tri-Vector Meter during the month whichever is higher. If the Maximum Demand recorded is more than the sanctioned load, penal charges at two times the normal rate shall apply.

2. Seasonal Industries: The industries which intend to utilize seasonal industry benefit shall comply with the conditionalities under para no. 24 of general terms and conditions applicable to LT.

3. Electricity can also be used for lighting, heating, and air-conditioning in the premises.

4. In the case of welding transformers, the connected load shall be taken as (a) Half the maximum capacity in KVA as per the name plate specified under-IS1851 or (b) Half the maximum capacity in KVA as recorded during rating by the Licensee, whichever is higher.

TARIFF SCHEDULE LT-6

Applicable to water supply and sewerage pumping installations **and also Applicable to Public Street lights/Park lights** of village Panchayat, Town Panchayat, Town Municipalities, City Municipalities / Corporations / State and Central Govt. / APMC, Traffic signals, subways, water fountains of local bodies. Also applicable to Streetlights of residential Campus of universities, other educational institutions, housing colonies approved by local bodies/development authority, religious institutions, organizations run on charitable basis, industrial area / estate and notified areas, also Applicable to water supply installations in residential Layouts, Street lights along with signal lights and associated load of the gateman hut provided at the Railway level crossing.

RATE SCHEDULE

Water Supply- LT-6 (a)	
Fixed charges	Rs35/HP/month
Energy charges	330 Ps/unit
Public lighting- LT-6 (b)	
Fixed charges	Rs50/KW/month
Energy charges	485 Ps/unit

TARIFF SCHEDULE LT-7

Temporary Supply & Advertising Hoardings

Applicable to Hoardings & Advertisement boards, Bus Shelters with Advertising Boards, Private Advertising Posts / Sign boards in the interest of Public such as Police Canopy Direction boards, and other sign boards sponsored by the Private Advertising Agencies. Temporary Power Supply of all categories

RATE SCHEDULE

Less than 67 HP:	Energy charge at 900 Ps/unit, subject to a weekly minimum of Rs. 160 per KW of the sanctioned load.

Note:

1. Temporary power supply with or without extension of distribution main shall be **arranged through a pre–paid energy meter** duly observing the provisions of Clause 12 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka.2. This Tariff is also applicable to touring cinemas having licence for duration less than one year.
3. All the conditions regarding temporary power supply as stipulated in Clause 12 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka shall be complied with before service.

- O -