

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub: Transfer of past subsidy dues from GoK and past power Purchase dues of KPCL in the books KPTCL to ESCOMs.

Read: 1. KPTCL letter No: KPTCL/MD/PS/17-18/48 Dated 21.7.2017

Preamble:

1. Karnataka Power Transmission Corporation Limited (KPTCL) has stated in the letter read at (1) above that the Karnataka Electricity Regulatory Commission (KERC) has disallowed KPTCL from making any payments to power generation Companies in its Tariff Order dtd 25.11.2009 as the "the cost of power purchase is not a component of transmission charge and that the Commission decides not to consider this expenditure under Annual Revenue Requirement for transmission charges". Further stated that the KERC has reiterated its position in Tariff Order dated 07.12.2010 stating that "ESCOMs have **inherited** KPTCL's business of power purchase under the statutory transfer scheme". Hence, all liabilities towards power purchase have to be met by the Electricity Supply Companies (ESCOMs). Keeping these directions in mind, KPTCL has been unable to settle the dues of Karnataka Power Corporation Limited (KPCL). As a result, interest of nearly Rs 103 Crs to Rs 106 Crs per year is unnecessarily being added as payable by KPTCL to KPCL in KPTCL books of accounts every year.
2. It is also stated that the KERC in the Advisory Committee meeting held on 10th March 2016, discussed the "transfer of past subsidy and Power Purchase dues to ESCOMs" and reiterated that KPTCL's past Power Purchase dues for the period prior to 10.6.2005 are pertaining to ESCOMs and claim on this by KPTCL in the Tariff/Annual Performance Review application will not be considered by the Commission as already indicated in KERC Tariff Order 2009 dated 25.11.2009 and subsequent orders.

3. KPTCL has stated that there is past RE subsidy dues receivable from Government of Karnataka balance of Rs. 986.50 Crs in the books of KPTCL as on 31-03-2016 and also past power purchase dues of Rs. 2024.84 Crs consisting of KPCL portion Rs. 1997.56 Crs and VVNL portion of Rs. 27.28 Crs payable to KPCL.
4. Subsidy receivable from GoK and power purchase cost payables to KPCL in the books of KPTCL as at the end of 31.03.2016 are as detailed below:

Amount Rs in Crs

A		Receivable		
i	Past RE Subsidy dues from GoK to KPTCL			986.50
B		Payable		
i	Past Power Purchase dues payable to KPCL - Principal			
	a)KPC	861.61		
	b)VVNL	27.28		888.89
ii	Interest			1135.95
	Total Past Power Purchase dues B (i+ii)			2024.84

5. KPTCL has stated that KPCL in its 252nd Board of Directors' meeting held on 29.07.2016 has decided to write-off interest receivable from KPTCL to an extent of Rs.364.14 Crs and not to charge interest on KPTCL from 2015-16 and onwards. KPCL has communicated the same to KPTCL vide letter No.A1 Q5 D dated 25.03.2017. Since KPCL communicated the same to KPTCL only on 25.03.2017, KPTCL had provided towards interest on belated payment of power purchase dues amounting to Rs.103.38 Crs for FY2015-16 also. Hence, KPTCL has to withdraw provision towards interest on belated payment of power purchase dues of Rs. 467.52 Crs (Rs.364.14 Crs written off by KPCL+ Rs.103.38 Crs pertaining to 2015-16).

6. Apart from proposed transfer of past RE subsidy dues as well as past power purchase dues payable by KPTCL to KPCL to all the ESCOMs, KPTCL also proposed for transfer Rs.467.52 Crs of interest component to ESCOMs which KPTCL has stated as the amount already waived off by KPCL. The benefit of waiver is also proposed to be transferred to ESCOMs and the interest has to be written off in the books of ESCOMs.
7. KPTCL has proposed for transferred to ESCOMs the subsidy, power purchase cost and interest on belated payments of PPC relating to KPCL as detailed below:

		Amount Rs in Crs.		
I	Receivables to be transferred to ESCOMs			
a	Past RE subsidy dues to be transferred to ESCOMs		986.50	
II	Payables to be transferred to ESCOMs			
a	Past power purchase dues payable to KPCL (principal portion)		888.89	
b	Interest written off by KPCL during FY2015-16	364.14		
	Interest accounted by KPTCL for 2015-16	103.38		
c	Total interest portion to be transferred to ESCOMs		467.52	
d	Total payables(principal + interest portion) to be transferred to ESCOMs II (a + c)		1356.41	

8. KPTCL has proposed a ratio as in the table below and also allocated the outstanding balances of subsidy, power purchase cost and interest in that ratio.

Amount Rs in Crs

Allocation of subsidy dues of KPTCL and PPC including interest of KPCL to ESCOMs					
ESCOMs	% allocation proposed by KPTCL	Subsidy to be transferred	PPC Principal amount to be transferred	Interest on PPC to be transferred	PPC Principal & Interest amount to be transferred
BESCOM	50.5917%	499.08	449.70	236.52	686.22
MESCOM	7.8275%	77.22	69.58	36.60	106.18
HESCOM	20.2570%	199.84	180.06	94.71	274.77
GESCOM	12.1305%	119.67	107.83	56.71	164.54
GESC	9.1933%	90.69	81.72	42.98	124.70
Total	100.00%	986.50	888.89	467.52	1356.41

9. Under the circumstances explained by KPTCL as in the above paras, Government decides to issues necessary orders for transfer of post subsidy, power purchase cost and interest thereon outstanding as on 31st March 2016 in the books of KPTCL to ESCOMs and hence this order.

Government Order No: EN 67 PSR 2017

Bangalore Dated 31.07.2017

1. Approval is accorded for transfer of outstanding power purchase cost of Rs.888.89 Crs, interest of Rs 467.52 Crs relating to KPCL in the books of KPTCL along with outstanding subsidy of Rs 986.50 Crs receivable from Government by KPTCL for the period prior to 9th June 2005 to ESCOMs, the breakup details are as in para 8 in preamble.
2. Approval is also accorded for writing off of interest in the books of ESCOMs amounting to Rs 467.52 Crs transferred from KPTCL as explained in para 6 of preamble.
3. Consequent on this order, the KPTCL and ESCOMs to Account the transfer of balances as hereunder:
 - i. KPTCL to account the net difference upon transfer of balances as per this order as an adjustment to Net worth Account¹ in 2016-17 Accounts.
 - ii. ESCOMs to account the transfer balances as per this order "In the books of ESCOMs" as hereunder:
 - i. Account RE Subsidy allocation shown in the table under para 8 of preamble portion as receivable from GoK.
 - ii. Account Power purchase dues of KPCL allocation shown in the table under para 8 of preamble portion as payable to KPCL.
 - iii. Account interest on Power purchase dues allocation shown in the table under para 8 of preamble portion as interest on power purchase dues payable to KPCL.

- iv. Write back the interest portion accounted vide item (iii) above in the books of ESCOMs.
 - v. Account difference in Receivables and Payable resulting from the above transaction under 'proposed adjustment to Net worth account' in the books of ESCOMs.
 - vi. All the above transactions shall be accounted in 2016-17 Accounts of concerned ESCOMs.
- iii. KPTCL to furnish to the ESCOMs the breakup details of subsidy to be claimed from Govt by ESCOMs consequent on transfer and also for the power purchase cost payable to KPCL.

BY ORDER AND IN THE NAME OF
GOVERNOR OF KARNATAKA,

B. V. Srinivasaiah
(B.V. SRINIVASAIAH)

UNDER SECRETARY TO GOVERNMENT,
ENERGY DEPARTMENT.

To:

1. The Compiler, for notification in the Karnataka Government Gazette.
2. The Accountant General (A&E)/ (Audit-1 & Audit-2) in Karnataka, Bangalore-1.
3. The Managing Director, Karnataka Power Transmission Corporation Limited, Kaveri Bhavan, Bangalore.
4. The Managing Director, Karnataka Power Corporation Limited, No.82, Shakti Bhavan, Race Course Road, Bangalore.
5. The Managing Director, BESCO/ MESCOM/ HESCO/ GESCOM/ CESC/PCKL.
6. The Secretary, Karnataka Electricity Regulatory Commission, M.G. Road, Bangalore-1.

7. The Deputy Secretary to Government, Finance Department, (B&R), Vidhana Soudha, Bangalore.
8. P.S. to Additional Chief Secretary to Govt., Finance Department.
9. PS to Additional Chief Secretary to Govt., Energy Department.
10. P.A. to Deputy Secretary to Govt., Energy Department.
11. P.A. to Under Secretary to Govt., Energy Department.
12. The Section Officer (R&I) Section, Energy Dept, Bangalore for needful action.
13. Section Guard file / office copy / Spare copies.

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