

KARNATAKA ELECTRICITY REGULATORY COMMISSION
6TH & 7TH Floors, 9/2, Mahalaxmi Chambers, M.G.Road, Bangalore 560 001.

Preamble:

Sub: Special Incentive Scheme to HT Industrial Consumers

1. KPTCL/ESCOMs had introduced a special incentive scheme to HT consumers at Rs. 3.50 per unit. In the Tariff Order 2003, the Commission had discontinued this scheme. Subsequently, KPTCL/ESCOMs had submitted a proposal vide application dated 24.05.2003 for reintroducing the Special Incentive Scheme to the HT industrial consumers at RS.3.80 per unit, for the approval of the Commission. In its Tariff Amendment Order dated 15.12.2003, the Commission has approved the Special Incentive Scheme with detailed terms and conditions. Further, the Commission had stated that if any amendments are required to be made to the rate due to variation in power purchase cost or in the terms and conditions mentioned in the Order, the ESCOMs shall approach the Commission for approval. It was also stated in the Order that the ESCOMs shall also approach the Commission for amendment/revision/withdrawal of the scheme, if finances of ESCOMs are likely to be adversely affected due to the implementation of the Scheme.

2. Subsequent to passing of the Tariff Amendment Order 2003 by the Commission, BESCOM, MESCOM and HESCOM approached the Commission to review the terms and conditions of the special Incentive scheme vide letters indicated below:

- i) BESCOM: Letter no. BESCOM/GM(T)/BC-22/F-702/2003/04/11856-57 dated 03.02.2004 and letter no. BESCOM/GM(T)/BC-22/F-702/2003/04/14281-82 dated 12.03.2004.
- (ii)MESCOM: Letter no. SEE(C & RP)/EE (RA)/ M3-1211/03-04/36046-05 dated 08.03.2004
- (iii)HESCOM: Letter no. HESCOM/E-5/Spl.Inc. Sch/03-04/12185-86 dated 28.02.2004

3. Subsequently MESCOM vide its letter no. SEE(C & RP)/EE (RA)/ M3-1211/699-706 dated 08.04.2004 has withdrawn its application for review of terms and conditions of special Incentive Scheme.

4. BESCOM has requested the Commission to review the terms and conditions as follows:

- a. The base consumption for the new industries, who were earlier not under any Special scheme shall continue to be computed as per the present norms i.e. the average of 12 months' consumption excluding wheeling energy for the period from November 2002 to December 2003.

b. The base consumption for the consumers, who were earlier under Rs.3.25/3.50 Scheme, shall be the same as approved earlier. However, if there is a permanent increase in the contract demand in these installations, the base consumption shall be increased by 100 units per KVA of the additional CD availed by the industry on permanent basis.

c. For new industries, which do not have 12 months' base consumption as on 1.1.04, the base consumption shall be computed on the actual consumption for the months in the base period plus the consumption computed at 100 per KVA per month for the remaining months of the base period.

d. For new industries serviced after January 2004, the criteria for these industries to be eligible for this special scheme shall be a minimum period of six months.

e. The enhancement of contract demand by 20% shall not be made mandatory and it shall be optional to the HT consumers and the consumers can get it enhanced if they so desire.

5. HESCOM has requested the Commission to review the terms and conditions as follows:

a. The base consumption for the existing HT consumers shall be the base approved under the earlier schemes and it shall not be the consumption in the base period defined by the Hon'ble Commission in the Tariff Amended Order.

b. For new HT industrial consumers, the base consumption shall be the minimum assessed consumption per KVA contract demand as was prevailing earlier and they shall not be made to wait for a minimum period on 12 months.

c. The enhancement of contract demand by 20% shall not be made mandatory and it shall be optional to the HT consumers and the consumers can get it enhanced if they so desire. It is proposed to retain the condition as prevailing under the earlier scheme where the HT consumers had the option of availing additional contract demand.

6. Above ESCOMs have stated in their applications that the response to the scheme from HT consumers is not encouraging due to the following reasons:

a) The HT consumers have planned their future production and made their marketing strategies when the scheme was in operation and consequent to the discontinuation of the scheme, the HT consumers were forced to utilize the energy from the grid at normal tariff to fulfill their committed orders. This has resulted in increased consumption during the

base period defined by the Hon'ble Commission. The HT consumers who have availed the power under the earlier scheme are requesting for retaining the base consumption fixed during the operation of the scheme earlier.

b) The new HT Industrial consumers cannot avail this benefit with immediate effect and have to wait for one year. In order to make the scheme more attractive to the new HT consumers, it is proposed to fix the units per KVA of contract demand instead of making them to wait till they complete 12 months to avail the scheme. Otherwise, the new consumers may switch over to alternative sources of energy which will be a loss to the ESCOMs.

c) It has been made mandatory that the contract demand shall get enhanced by 20% to such of the HT consumers for availing the scheme. In the earlier schemes, this kind of enhancement of contract demand was optional. The compulsory enhancement of contract demand is not conducive and beneficial to the HT consumers. They were managing the higher consumption under the scheme within the existing contract demand. If the contract demand is enhanced by 20%, they have to pay 75% of the enhanced contract demand as monthly minimum billing demand charges which will add to the cost of energy and not attractive to the consumers.

7. Several HT consumers have also approached the Commission requesting for retaining the earlier base consumption.

8. The Commission has already issued clarification to the ESCOMs regarding the enhancement of contract demand for availing the special incentive scheme vide its letter No.B/04/03/583 dated 7th April 2004.

9. The Commission, has examined the applications of BESCO and HESCO for amendment of the terms and conditions of the Special incentive scheme. While the Commission agrees with the proposed amendment with regard to base consumption in respect of the existing consumers, the Commission does not consider it necessary to extend the scheme to new consumers even before completion of one year after its service. Hence the following order:

No B/04/03

Dated 27.7.04

ORDER

1. For availing the special incentive scheme approved by the Commission in its Tariff Amendment Order dated 15.12.03, the base consumption for the HT industrial consumers who were earlier under

Rs.3.25/3.50 Scheme, shall be the same as approved by the respective ESCOMs earlier.

2. For the HT industrial consumers who had not availed themselves of the special incentive scheme earlier, the base consumption shall be as per the Commission's Tariff Amendment Order dated 15.12.03.
3. For new consumers, there is no change in the existing terms and conditions specified in the Tariff Amendment Order dated 15.12.03.

This order shall come into effect from 1.4.04.

Since GESCOM has not made any application in this regard and that MESCOM withdrew the application filed by them earlier, the Commission considers it necessary to give liberty to MESCOM and GESCOM to implement this order if they so desire, under intimation to the Commission.

The Order is signed, dated and issued by the Karnataka Electricity Regulatory Commission.

Sd/-
(Philipose Matthai)
Chairman

Sd/-
(H.S.Subramanya)
Member

Sd/-
(S.D.Ukkali)
Member