

CHAPTER – 3

PUBLIC CONSULTATION - SUGGESTIONS / OBJECTIONS & REPLIES

As per the provisions of Section 64 of the Electricity Act, 2003, in order to obtain suggestions / views / objections from the interested stake-holders on the KPTCL's application for Annual Performance Review for FY16 and Revision of ARR and Transmission Tariff Application for FY18, the Commission undertook the process of public consultation.

The Commission conducted a Public Hearing on 21st February, 2017 to enable the Stakeholders to make oral submissions on the KPTCL's application. During the hearing the KPTCL representatives made a brief presentation of its activities, progress of work and the efforts in improving the quality and reliability of power besides highlighting the efforts to reduce transmission losses. They also justified the prayers made in the application.

In the written submissions as well as in the oral submissions made during the public hearing, some of the Stake-holders and public have raised objections to the Application filed by KPTCL. The names of the persons who filed written objections and made oral submissions are given below:

3.1 Persons who have submitted written objections

Sl. No	Application No.	Name & Address of Objectors
1	KA-01	The General Manager (Commercial), CESC Corporate Office, Mysuru.
2	KB-01	Sri.G.Manjunath, Chandapura, Bangalore.

Persons who made oral submissions during the Public Hearing on 21.02.2017

SL. No.	Names & Addresses of Objectors
1	Sri. Mallappa Gowda, Chairman, Energy Committee, KASSIA

A gist of the written objections raised and the KPTCL's replies thereon is as follows:

Objections by Stakeholders	Replies by KPTCL
<p>1. In spite of the Commission passing tariff order every year to see that the KPTCL is not under loss, a gap of Rs.103.23 Crores has been shown for FY16, which should not be considered.</p> <p>The KPTCL has made a net profit of Rs.178.11 Crores for FY16 and if the P&G contribution of Rs.532.74 Crores is not considered, the total profit would be Rs.762.28 Crores. This profit should be factored into the ARR for FY18. Hence, the approved transmission charges for FY18 at Rs.3171.28 Crores needs to be revised and accordingly the transmission charges for CESC should be reduced.</p>	<p>KPTCL has stated that, as per clause 3.10 of MYT Regulations, KPTCL is entitled for a normative "Profit" (Return on Equity) of 15.5% on the equity which works out to Rs.384.73 Crores. As per Audited Accounts the profit earned is Rs.178.11 Crores. The O & M expenses are considered based on the normative limits as provided in the MYT Regulations, whereas in P & L accounts, actual expenses are accounted. The Audited Accounts provide a factual position of profit or loss without including any normative (mandatory) profit. Thus, the Audited Accounts and Annual Revenue Requirement (ARR) for the purpose of tariff are two different statements whose end results would invariably differ.</p>
<p>Commission's Views: The Commission has taken note of the objection and the reply thereon. The Commission has dealt with the matter appropriately in the relevant chapter of the Tariff Order.</p>	
<p>2. The lines and substations are being not completed within the targeted time, sometimes taking more than 10 years for completion. Due to this, the project cost will increase manifolds causing loss to the ESCOMs.</p>	<p>KPTCL has stated that, the target of completion of 220 kV substation and transmission lines is 18 months and for 110kV/66Kv, the time duration allotted would be 12 months. In most of the cases the projects are completed within the above time limits. However, when there are Right of Way (RoW) problems, the projects get delayed.</p>
<p>Commission's Views: The reply furnished by KPTCL is noted. However, the Commission directs the KPTCL to endeavour to complete the projects within the scheduled date of completion, to avoid inconvenience to the consumers and to reduce its own financial burden caused due to delay in the completion of the works.</p>	
<p>KPTCL is awarding works in excess of SR rates resulting in increased cost burden to the ESCOMs.</p>	<p>KPTCL has stated that, the SR rates are indicative and is the basis for preparing the estimates of the Projects. The tenders are invited through e-procurement for construction of substations and lines. The projects are awarded to the lowest bidders. Sometimes the lowest quoted bid rate may be more than estimates prepared based on the SR rates. In such cases the Central Procurement Committee approves the same before awarding the tenders.</p>

Commission's Views: The reply furnished by KPTCL is acceptable. However, KPTCL shall ensure that the rates being paid are not too high as compared to other Southern States.	
3. An amount of Rs.134.40 Crores is shown as contribution to P&G trust, which has increased the deficit.	The Pension and Gratuity trust is created as per the law. KPTCL is making annual contribution to the trust in respect of employees appointed before 01.04.2006 as per the Actuarial valuation report from the authorized Actuary. For the employees appointed after 01.04.2006, KPTCL is contributing to the contributory pension scheme applicable to such employees. Hence, the contribution of Rs.134 Crores paid to the P&G trust is proper.
Commission's Views: The Commission has dealt this matter appropriately in the relevant chapter of the Tariff Order.	
4. KPTCL has shown Rs.5.51 Crores towards expenditure on Medical reimbursement for FY16. This is not in accordance with ESI rules.	While making the medical reimbursements, KPTCL follows Medical Attendance Rules, adhering to the rates prescribed in GoK orders and the Central Government Health services (CGHS). The employees of KPTCL are not covered under the ESI Scheme.
Commission's Views: The reply furnished by KPTCL is noted.	
5. KPTCL is showing high maintenance expenditure even though there is no problem in the transmission system.	KPTCL has stated that, the maintenance cost is fixed by the Commission as per the Regulations. The same is comparatively less than other States.
Commission's Views: The reply furnished by KPTCL is noted.	
6. Whenever a private party requests for shifting, KPTCL is undertaking the work of shifting of the transmission lines at the cost of the company instead of getting the work done on self-execution basis,	Specific instances in support of the objection are not furnished for taking suitable action against the concerned.
Commission's Views: The Commission takes note of the reply furnished by KPTCL. The Stakeholders are advised to furnish specific instances with facts and figures without generalizing the issue.	

Gist of the submissions made and KPTCL's replies given during the Public Hearing, held on 21.02.2017

Sl No	Objections	Replies by KPTCL
1	The ESCOMs should have objected to the tariff revision claimed by KPTCL, but, no ESCOM has come forward to file the objections.	KPTCL has stated that, written objections could be submitted by any interested parties/stakeholders. Accordingly, CESC has filed the objections and hence it cannot be said that ESCOMs have not objected to the application.
2	KTPCL should state as to how the depreciation is claimed on the substation projects which are delayed.	KPTCL has stated that, it has computed the depreciation charges as per the relevant Accounting Standards.
3	The status of substations proposed around Nelamangala and Vasanthanarasapura should be disclosed.	KPTCL has stated that, the projects proposed are at different stages of implementations and it would furnish a list of such works.
4	The repairs and maintenance works at Peenya substation and reconductoring of Peenya – Byadarahalli station has helped 500 industries and reduced the load shedding. Similarly, the other substations and line maintenance should be taken up.	KPTCL has stated that, it has invited tenders to procure spare transformers to ensure speedy replacement of failed power transformers. It has also arranged for rectification of the cable joints to ensure reliability of power.
5	Repairs of damaged 220kV UG cable between 220kV HAL substation and Hoody has taken more than 6 months for want of spares. KPTCL should explain the reasons for delay.	KPTCL has stated that, the cable jointing work is a specialized work which has to be carried out by the experts in the field. The KPTCL has taken action to rectify the faults.
6	The Employees cost and the P&G contribution from KPTCL is very high and needs to be controlled.	KPTCL has stated that, since it is mandatory to pay the P&G contributions, the amount is being provided for, as per rules.
7	A Manpower study should be conducted to realistically estimate the manpower requirement and to increase the efficiency.	KPTCL has stated that, it will conduct a study and submit the report to the Commission.
<p>Commission's Views: The Commission has taken note of the replies furnished by the KPTCL and also notes that, the replies in general are acceptable. The Commission directs KPTCL to improve its network such that, it can accommodate the future growth in generation and loads in the State.</p>		