

**Annexe-2****SUMMARY OF OBJECTIONS AND RESPONSES OF THE LICENSEES****KPTCL****SUMMARY OF OBJECTIONS RAISED BY CONSUMERS AND REPLIES GIVEN BY KPTCL FOR TARIFF PROPOSAL BEFORE KERC:****Karnataka Pradesh Hotels and Restaurants Association, Bangalore**

- i) The above association has raised objections about classification of hotels under LT 3 and have asked to classify them under LT 5 category.

**KPTCL response**

- i) KPTCL has replied that the revision proposed is for bulk supply and transmission and not retail tariff. Classifying customers under various categories is not done by KPTCL.

**Bellary District Chamber of Commerce and Industry, Bellary, Bijapur District Chamber of Commerce, Industry & Agriculture, Bijapur.**

- i) The Bellary District chamber of Commerce and Industry, have objected to the increase in power tariff proposed by KPTCL stating that there is no necessity for increase in tariff since economy measures have been taken by KPTCL and that should lead to savings. They have also raised objections on grounds which pertain to retail tariff and not bulk supply tariff

**KPTCL response**

- i) KPTCL have replied that the proposed revision is due to increase in power purchase cost and operational costs in the last two years. In order to meet the increased revenue requirement, KPTCL is proposing for enhancing the BST and transmission charges.

**The Hukkeri Rural Electric Co-operative Society Limited, Hukkeri, Belgaum**

- i) The above co-operative society has said that they are one of the holders of 'Supply License' granted by the KERC. They have said that due to increase in BST by 15.78 paise per unit from January 2004, the Society has incurred deficit of Rs.1,27,09,272 for the financial year 2003-04. At the

existing BST rates, the Society will incur deficit of Rs.5,76,24,567 for FY05 and Rs.7,43,51,707 for FY06.

### **KPTCL response**

- i) KPTCL has replied that in order to meet the energy requirement of the ESCOMS and Hukkeri Society, the KPTCL has proposed energy requirement of 33242.00 MUs and the Hukkeri Society's share in that was 149.00 MUs. Similarly the procurement projected for FY 06 is 35324.60 MUs and the Society's requirement is 159.00 MUs.
- ii) KPTCL has said that the power purchase cost and operational costs are increasing every year and in view of that, the annual revenue requirement of the KPTCL is also increasing. In order to meet the increased revenue requirement, KPTCL has proposed enhancement in the BST and transmission charges.

**The Consumer Rights Education and Awareness Trust (CREAT), Magadi Taluk Consumer Protection Association, Consumers Forum, Sagar, Balakedarara Hitharakshaka Sangha, Sirsi, Yuva Nagarika Vedike, Hospet, IP set Balakedarara Sangha, Thirthahalli, Consumers Forum, Shiralakoppa and Environmental and Consumer Protection forum, Haveri and Consumer Care Society, Bangalore**

The above consumer advocacy groups have raised the following objections to the proposed BST revision by KPTCL.

### ***Estimation of energy requirements***

- i) Regarding estimation of energy, they have said that the requirement of 36488 MU is based on the forecast of the ESCOMS. They have asked the KERC to check the quantum of energy sales vis a vis quantum generated and losses suffered during the course of sale. They have brought to the notice of the KERC the increase in the number of defective interface meters and have said that even a saving of 1 per cent in quantity of purchase of power, there will be a financial savings of Rs.60 crores.
- ii) They have asked the KERC to reassess the consumption of ESCOMS taking into account the large scale metering of IP sets and BJ/KJ installations.

### **Investment**

- i) The consumer groups have objected to the amount of investment (Rs.875 crores) proposed by KPTCL. They have calculated the earlier investments approved by KERC and the loss reduction claimed by KPTCL. Based on these calculations they have said that an investment of Rs.728 crores resulted in a reduction of 3.86 per cent transmission loss. In other words,

KPTCL has incurred Rs.189 crores to achieve a reduction of 1 per cent transmission loss.

- ii) They have said that KPTCL has asked for an investment of Rs.875 crores, whereas the transmission loss is shown as 0.4 per cent. Hence the Commission should allow only Rs.190 crores per percentage reduction in transmission loss. They have said that Rs.780 crores should be deducted in arriving at the tariff. Alternatively KPTCL should be asked to bring down losses in commensuration to investment so that inputs get lowered and thereby tariff comes down.

### **Administrative Expenses**

- i) They have also questioned the abnormal increase in Administrative Expenses. They have highlighted the increase in expenses for conducting Board Meetings from Rs.18 lakhs in FY04 to Rs.119 lakhs in FY05 and they have asked the Commission not to approve this as the consumers have not been benefited by these meetings.
- ii) They have also asked the Commission not to approve expenses already settled by it.

### **KPTCL response**

- i) KPTCL has replied that the estimated quantity of power purchase has been reduced from 36488 MUs to 35324.60 MUs.
- ii) Regarding increase in the number of defective meters, KPTCL has explained that there are about 1235 interface points and 561 auxiliary points. Out of this only 37 meters are not working which is 3 per cent. They have said that in case of faulty metering system, the reading of meters upstream and downstream is considered. If the reading on 33 KV side is not working, the reading is taken in the 66 KV side and the energy at 33 KV is assessed. Thus, even in case where the meter is not working the energy can be actually determined.
- iii) With regard to capital investment, KPTCL has explained the various issues involved in undertaking a project. They have said that basically there are four types of investments i.e., projects to facilitate extending power supply to new areas, expanding the network to meet increasing demand, facilitate improvement in quality and finally for facilitating maintenance of existing infrastructure.
- iv) They have said that there is no empirical formula to relate capital investment with the reduction in losses.

- v) KPTCL has agreed that there is increase in administrative expenses. But they have said that due to creation of new companies, the expenditure was incurred and it is reasonable. However they have not given any specific reason for increase in board meeting expenses.

**BESCOM****SUMMARY OF OBJECTIONS RAISED BY CONSUMERS AND REPLIES GIVEN BY BESCOM FOR TARIFF PROPOSAL BEFORE KERC:****Communist Party of India and Karnataka Prantha Raiitha Sangha, Bangalore**

- i) The above associations have raised some general issues with regard to the quality of power supply and have disputed the figures furnished by BESCOM. They have opposed universal metering program of BESCOM. They have said that BESCOM should purchase power from hydel sources and discourage thermal sources.

**BESCOM response**

- i) BESCOM has replied that the figures furnished by them are correct and are based on facts. They have said that BESCOM is taking steps to reduce T & D losses.

**Public Utilities****South Western Railways, Bangalore & Hubli**

- i) The Sr.Divisional Engineer (Electrical) of South Western Railways, Bangalore, has objected to the tariff rates fixed for poles and gatesman's hut on commercial basis. They have said that the power used in these installations are only for road users requirement and not for commercial purpose. Hence they are opposed to charging commercial tariff.
- ii) Further, they have also said that since the railways are maintaining power factor of 0.95 and above and for power factor below 0.9, penalty is levied by BESCOM. Railways want some incentive for maintaining power factor above the norms fixed by BESCOM. South Western Railway, Hubli, have suggested reduction in number of slabs. They have also given some general suggestions.

**BESCOM Response**

- i) In their reply, BESCOM have stated that since railways are engaged in commercial activities, they have been classified under LT-3 schedule and the tariff is justified. In case of maintaining power factor, BESCOM has replied that BESCOM is not recovering the average cost of supply from all

the consumers, and as a result, it is not possible to give incentive for maintaining power factor in excess of 0.9

### **Military Engineering Services**

- i) The MES have said that theirs' is a non-profit organization and non-commercial in nature and hence a separate tariff classification is required. They have also requested for a tariff lesser than what is applicable to industrial consumers.

### **BESCOM response**

- i) BESCOM has said that the tariff is fixed by the KERC as per the principles laid down in KER Act under Section 27. At present, defense establishments have been broadly classified as HT2(a) and HT (4) depending on whether they are defense establishments or colonies and tariff cannot be classified taking into account various individualistic features.

### **Bharat Sanchar Nigam Limited (BSNL)**

- i) BSNL have raised objections about the classification made. They have said that BSNL, being a government company has not been categorized as a special customer in the tariff filing, but is included in the commercial category along with hotels, bars etc. They have quoted the Supreme Court judgment to prove that they are to be classified as industrial customers.

### **BESCOM response**

- i) BESCOM has stated that classification of customers under a particular category in the Industrial Disputes Act or any other Act is not a criterion for classification of customers for tariff purposes. BESCOM has replied that the judgment of the Supreme Court is not applicable in this case, since the facts and circumstances are different.
- ii) Regarding objection to classifying BSNL as commercial customer, BESCOM has said that BSNL itself is charging the phones of BESCOM, KPTCL and KPC stations under commercial tariff.

### **Chief Engineer (Minor Irrigation) South, Bangalore**

- i) The objector has said that irrigation schemes are run for a limited period when water is available, but the electricity charges are levied through out the year. This is a big burden on the department. They have said that the system of charging high rates for lift irrigation as compared to individual IP

sets should be discontinued. They have also commented on the quality of power supply.

**BESCOM response**

- i) In their reply, BESCOM have stated that tariff classification cannot be done based on individualistic features. They have said that BESCOM has reduced the tariff by 25% as compared to the existing rates.

**Bangalore Water Supply and Sewerage Board (BWSSB), Bangalore**

- i) The BWSSB has objected to the power procurement policies terming it as misconceived and unwise. They have stated that the average cost of supply has increased and is directly attributable to the faulty purchase policies of the KPTCL. BWSSB has objected to the increase in operating costs. It is stated that the increase is disproportionate to the increase in the quantity of power sold by it.
- ii) BWSSB has said that they are a public utility, providing water to the public and is not supported by the Government by way of subsidy.

**BESCOM response**

- i) BESCOM has replied that tariff fixation is mainly dependent on input power purchase cost, O & M costs, establishment cost etc. Further, it depends on hydro-thermal mix and subsidy given by the Government. The power purchase cost is based on the average cost intimated by KPTCL and this rate is validated by the Commission.
- ii) BESCOM has also stated that it is also a Government owned company and is also a service provider functioning under commercial principles. The tariff is determined as per the KER Act. While designing the tariff, BWSSB too should have taken into account the aspect of free distribution of water to below the poverty line consumers and ought to have loaded the cost on commercial consumers.

**Objections of Industries, Associations, Companies etc.****Peenya Industries Association**

- i) The Peenya Industries Association have raised objections relating to delay in submission of the ERC by BESCOM. They have asked the KERC to reject the tariff petition. Objections are also raised with regard to T & D losses, improper calculation of cost of supply of energy, continuance of cross subsidy, metering and partiality in tariffs for small-scale industries.

**BESCOM response**

- i) BESCOM has replied by stating that there was delay in filing the tariff petition due to non-receipt of comfort letter from the Government of Karnataka. They have said that BESCOM being a government company has to get a commitment from the Government about subsidy amount.
- ii) Regarding controlling T & D losses, BESCOM has replied that sufficient steps have been taken to reduce T & D losses. They have said that task teams have been constituted and over 7 lakhs meters have been calibrated and 52844 no. of faulty meters have been replaced.
- iii) BESCOM has replied that it is not possible to move all the categories of consumers towards cost of supply as they would get a Rate Shock. Hence cross subsidization will have to stay for some more time due to prevailing socio economic problems.

**Karnataka Textile Mills Association**

- i) The Karnataka Textile Mills Association have said that the tariff in neighbouring states is lower when compared to that of Karnataka. They have said that they are unable to compete with textile mills of other states. They have commented on the quality of power supplied by BESCOM and have asked for incentive for maintaining the power factor above 0.9.
- ii) They have said that the textile industry is under tremendous pressure of competition and the Government of India has made an appeal to the State governments to bring down the power tariff supplied to textile mills.

**BESCOM response**

- i) BESCOM has replied that the power tariff depends on a host of factors like power purchase cost, hydel-thermal mix and other expenses. Hence tariff cannot be compared to that of the other states.
- ii) Regarding improving the quality of power supply, BESCOM has said that works of strengthening the distribution system, providing new distribution transformers etc. are being carried out regularly and every effort is made to improve the quality of power supply. Regarding extending incentive for maintaining power factor in excess of 0.9, BESCOM has said that it is not recovering the average cost of supply from all the consumers, hence it cannot give incentive.



- iii) Regarding special package given to textile mills, BESCOM has replied that the state Government has extended tariff benefit from November 2004 to the existing and new power loom industries having a sanctioned load of 10 HP and 10 power looms.

**Federation of Karnataka Chamber of Commerce & Industry (FKCI)**

- i) The FKCCI have objected to the delay in filing the tariff petition by the ESCOMS. They have said that the ESCOMS have failed to comply with 15 directives issued by the KERC. FKCCI have also objected for not providing the study relating to cost of service and audited balance sheet. They have also raised issues relating to universal metering, cross-subsidy and the difference in Security Deposit reflected in the accounts of the ESCOMS.
- ii) FKCCI has said that the present proposal of the ESCOMS do not reflect factors which would encourage efficiency, economic use of resources, good performance etc. They have asked the KERC not to pass on the burden of T & D losses to consumers.

**BESCOM response**

- i) BESCOM has replied that the delay in filing the ERC is due to non-receipt of comfort letter from the GOK regarding the subsidy allocation. Regarding information about cost of supply, BESCOM has replied that as per the KER Act, the cost has been evaluated on the basis of average cost of supply in each tariff category. BESCOM has said that the study relating to cost of supply has been given to a consultant and a report is awaited. Regarding submission of financial accounts, it is stated that the provisional balance sheet for FY 2004-05 submitted to statutory auditors for audit has been submitted to KERC for validation of ERC.
- ii) Regarding universal metering, BESCOM has replied that it has achieved considerable progress in fixing of meters to BJ/KJ and other street light installations. But in respect of IP set metering, only 4 per cent of total installations have been metered, as there is vehement protest from the farming community.

**Karnataka Small Scale Industries Association, (KASSIA), Bangalore.**

- i) KASSIA have objected to the increase in power tariff on the ground that this will be a setback to the growth of small-scale industries in the State. They have said that the efforts of BESCOM to improve the quality of power has not yielded any results. It is also explained that BESCOM is incurring huge losses due to failure of transformers and necessary steps are to be taken to rectify the situation.

- ii) KASSIA has stated that, only the cost of 33KV stations has to be considered and the method of calculation of fixed charges has not been indicated. They have objected to the introduction of power factor clause for domestic category since in the case of most of the domestic categories, power factor is near unity.

**BESCOM response**

- i) In their reply BESCOM have indicated that the industrial sales for the past three years indicate that, the industries are doing well in BESCOM area, which goes to prove that downfall in industrial production may be due to other reasons. Regarding reliability of power supply at 11KV feeder level in Bangalore, BESCOM has stated that it is planning to take up automation of entire Bangalore city distribution with the financial assistance of The Japanese Bank for Industrial Co-operation.

**Bangalore Chamber of Industry and Commerce (BCIC), Bangalore**

- i) The BCIC has stated that no consumer should be charged at a tariff higher than the average cost of supply. They have said that the T&D loss was 3.13 per cent during the previous year. With same resources the loss should come down in this FY and the additional power available due to loss reduction should be used to reduce offset tariff increase. Regarding cost of power purchase, BCIC has said that it can go up in the same proportion as the quantum of increase in procurement of energy. The increase cannot be to the extent of 18 per cent.

**BESCOM response**

- i) In their reply BESCOM has replied that the concept of cost of supply cannot be introduced immediately due to several socio-economic reasons. Regarding T & D loss it has stated that the distribution network is over loaded every day and huge amount is required to strengthen it.

**Shri.Anandathirharao, President, Vishweswaraiah District Citizens Association, Manchenahalli, Gowribidanur.**

- i) The above association has raised objections on the poor quality of power supplied by BESCOM. They have said that power interruptions continue even in times of abundant power availability. They have raised objection on the policy of BESCOM in providing 24 hours power supply to Bangalore and other cities and discriminating rural areas.
- ii) The association has said that some of the farmers are ready for installing meters to their IP sets. But they have objected to the move of BESCOM in

asking the farmers to bear the cost of meters. They have asked BESCOM to provide a toll free telephone.

**BESCOM response**

- i) BESCOM has replied that it has evolved a scheme of installing meters at its cost to all IP sets. However, if the meters are burnt due to consumers' fault, the cost of the meter is to be borne by the consumers. Regarding providing toll free phone, BESCOM has said that this facility at present is only for district centers and extension of the same to talukas will be looked into.

**Consumer Organisations****Consumer Care Society, Electricity Consumers Network, Akhila Bharatiya Grahak Panchayat, Bangalore**

- i) The above consumer organizations have said that BESCOM's tariff revision petition is premature since the KPTCL's petition for revision of bulk supply tariff is pending before the KERC. They have objected for BESCOM's failure to furnish the audited statement of accounts. These consumer groups have commented on the slow progress of energy audit and non-compliance with KERC directives.
- ii) These organizations have also raised objections about the interruptions in power supply and have asked the Commission to restrict the T & D loss at 18.35 per cent. They have also raised objections regarding expenses towards repairs and maintenance, employee cost, administrative and general expenses etc.

**BESCOM response**

- i) BESCOM has replied that with effect from 10.06.2005, ESCOMS are directly responsible for purchasing power and the details of estimated power purchase cost has already been filed before KERC. Regarding investment, it has said that only the approved investment Plan amount of Rs.167.45 crores has been taken into account. Regarding the T & D loss at Channapatna BESCOM has said that the same is reduced from 29.63% to 22.28%
- ii) Regarding universal metering, BESCOM has replied that all out efforts will be made to provide meters to as many number of IP sets as possible during this year. It has said that out of 489630 IP sets 21746 has been metered.

**Individuals/Consumers****GEM Properties Private Ltd, Tumkur**

- i) The consumer has raised certain individual grievances and has stated that tariff for HT consumers is low in the neighbouring states.

**BESCOM response**

- i) BESCOM has replied that there were some problems in the industrial feeder in Tumkur and the same have been attended to recently. Regarding lower tariff in other states, BESCOM has stated that tariff fixation depends on input power purchase cost, O&M costs, interest on borrowings etc. Hence rates in other states are not relevant for the present revision sought by BESCOM

**Klene Paks Lit, Bangalore**

- i) M/s.Klene Paks Ltd have objected to the proposed increase in tariff for HT 2 (a) customers on the ground that tariff for similar customers is lower in the neighbouring states.

**BESCOM response**

- i) BESCOM have replied that tariff fixation depends on input power purchase cost, O & M costs, establishment cost, interest on borrowings etc. Further tariff also depends on hydro-thermal mix. Hence rates prevailing in other states are not relevant for the revision proposed by BESCOM.

**Sree Ganesar Textile Mills Ltd, Davanagere**

- i) M/s. Ganesar Textiles Mills, have raised objections to the raise in tariff. They have explained the downfall of textile mills in Davanagere and have attributed the same to high cost of power. To substantiate their claims, they have quoted the prevailing power tariff in the neighbouring states.
- ii) They have said that the frequency of the supply is 48Hz instead of 50Hz and power tripping and power failure is too frequent. Besides, they have said that voltage fluctuation is too much i.e from 9KV to 12KV instead of 12 KV

**BESCOM response**

- i) BESCOM has replied that the recession in the industry may be due to various factors and not power issue alone. They have said that the power purchase cost depends on several factors like hydro-thermal mix, subsidy provided by the Government etc. Regarding power supply problems BESCOM has explained that at present there are 990 11KV rural feeders out of which 628 feeders are having lesser capacity conductors and for 303 feeders the lower sized conductor has been replaced by Rabbit conductor and for the remaining feeders the work of reconductoring is in progress. Due to above works, the quality of supply will improve.

**Shri.R.Gurappa, Bangalore**

- i) The consumer has raised several issues like pilferage of power, free power to employees, use of power in excess of eligibility by BJ/KJ customers, hiring of daily wage workers, scrapping of fixed charges and collection of development charges.

**BESCOM response**

- i) Most of the issues are general in nature. BESCOM has replied to the above objections and have said that several steps have been taken to curb theft of power and is also taking action as per the provisions of the Anti Theft Law. BESCOM has stated that free power is given to employees as per the Industrial Tribunal Award and the same will gradually get eliminated with employees retiring in the years to come.
- ii) Regarding BJ/KJ customers, BESCOM has said that steps are being taken to identify excess usage and bill them according to the relevant tariff. Regarding using daily wage workers, BESCOM has said that due to ban on recruitment, this has become necessary. In respect of levy of fixed charges, BESCOM has clarified that the company is following the two part tariff and it is in line with international practices.

**HESCOM****SUMMARY OF OBJECTIONS RAISED BY CONSUMERS AND REPLIES GIVEN BY HESCOM FOR TRAIFF PROPOSAL BEFORE KERC****Objections from Associations, Companies, Institutions etc.****1. The Uttar Kannada District Consumer & Citizens Association, Karwar**

- i) The above association has objected to the tariff increase proposed by HESCOM. They have said that HESCOM has no right to claim increase in tariff due to losses created on its own. They have stated that HESCOM is losing about 9000 million units per day due to T & D loss, theft and other leakages. The association has taken exception to the investment of Rs.33 lakhs made by HESCOM for establishing a power station at Siddar village and dismantling the same.
- ii) The association has also brought to notice other issues like electrical accidents, non-payment of interest on deposits etc. They have said that the Commission has not taken this into account. They have compared the electricity tariff in Goa and have objected to the 'disproportionate' salary paid to HESCOM staff. They have asked the Commission to determine tariff in such a way that the consumer pays the average cost of supply without showing undue preference to any consumers. They have also asked withdrawal of demand charges and has suggested that the subsidy given to consumers should be reflected in the bills.

**HESCOM response**

- i) In their reply HESCOM has stated that the revision in tariff is as per the orders given by the Commission and there is no arbitrary action on the part of HESCOM in claiming the tariff. They have said that the demand for electricity is more than supply and hence there is need for load shedding.

- 
- ii) HESCOM has said that the Vigilance Cell, Audit Cell etc. are functioning to curb the malpractices and mismanagement of funds. The Anti Theft Law is also in force to stop theft and illegal leakage of electricity. Regarding improving the quality of supply in rural areas HESCOM has assigned some work to Gram Vidyut Partinidhies.
  - iii) Regarding the need for tariff revision, HESCOM has said that the revision application is in accordance with the Tariff Regulations, amended from time to time. They have explained the steps taken to bring down T & D loss like strengthening of infrastructure, metering of installations etc. HESCOM has also stated that there is no misappropriation of funds and in the matter relating Saddar station HESCOM has explained that the station work is in progress and there is no waste of public funds.
  - iv) Regarding collection of security deposit, HESCOM has said that it is following the regulations issued by KERC and regarding payment of interest it will adhere to the directions/regulations issued by KERC. Regarding wages paid to staff HESCOM has said that the same is paid as per tripartite settlement and the employee cost is 7.92 per cent of total expenditure of HESCOM. They have also said that the No. of units of input per employee is 0.92 MU and No. of units of sale per employee is 0.68 MU. Hence they are commensurate with the performance.
  - v) HESCOM has stated that it is not showing any undue preference to any consumers but different rates are proposed based on consumer load factor, consumption of energy during specified period etc.

## **2. North Kanara Small Scale Industries Association, Sirsi**

- i) The above association has raised a general objection that the small scale industries in the district are already sick and the proposed tariff hike will be a death blow. They have objected to the practice of collecting fixed charges even from customers who use power beyond the minimum. They have said that HESCOM is misinterpreting the term 'fixed charges' and are charging this along with regular bills.
- ii) They have objected to the rule of categorizing small scale industries on the basis of HP. Regarding transfer of installations, they have opposed the present system of collecting deposits at new rates when installations are transferred to other persons/industries name in case of death/closure etc. They have demanded payment of interest on deposits.



**HESCOM response**

- i) HESCOM has replied that the annual requirement is arrived at after taking the power purchase cost and other costs into account. As the revenue from existing tariff is not sufficient to cover the ARR, revision of tariff is proposed.
- ii) Regarding fixed charges, HESCOM has replied that two part tariff is followed which is an accepted principle in all states. Fixed charges are charges payable by the consumer towards expenditure incurred by the company for creation of infrastructure. They have said that all industries are categorized under tariff LT-5. The fixed charges and energy charges vary depending upon the sanctioned load and energy consumed.
- iii) Regarding transfer of installations, HESCOM has replied that it is done within a week provided consumer complies with other requirements. In case of delay, they can file a complaint in the Consumer Grievance Redressal Forum established by HESCOM. However they have not replied to the objection regarding charging new rates in case of transfer of installations. HESCOM has agreed to adhere to the regulations framed by KERC for paying interest on deposits.

**3. Ugar-Khurd Sahakari Niravari Sangh Niyamit, Belguam District**

- i) The above association has said that they are basically a farmer based society catering to the needs of the marginalized farmers. They have said that the proposed hike in power tariff will make the society defunct. They have said that they are collecting bills from 432 members having HT installations and they are prompt in paying bills. Hence the society should get electricity at cheaper rate as compared to LT-4(a). Besides, they have also asked for 2 per cent incentive.

**HESCOM response**

- i) HESCOM has replied that the proposed tariff for Lift Irrigation under HT3(a) is lesser than the existing tariff. They have explained that under LT-4(a), both fixed charges and energy charges are proposed and the proposal is in order. They do not propose any special incentive scheme for prompt payment of bills.

**4. Kumta Taluk Vidyut Balakedarara Hitha Samrakshana Samiti, UK**

- i) The above consumer association has said that the district is a backward region inhabited by poor farmers. They have said that electricity produced in this region is sold to Goa for a cheaper rate. But the same facility is not extended to the consumers of Uttar Kannada district.

- ii) The association has objected to the idea of dividing customers on the basis of rural and urban feeders and deciding the tariff accordingly. It is stated that consumers and public are not taken into account while deciding the tariff. They have also objected to levy of minimum charges and have suggested rates to be levied for various categories of consumers.

**HESCOM response**

- i) HESCOM has replied that Goa's share of power generated by NTPC in its Ramagondum plant is transmitted to Goa through the KPTCL lines and HESCOM is not selling power to Goa at a cheaper rate. Regarding differentiation between rural and urban feeders, it has replied that there are some power cuts/load shedding in case of rural feeders, but urban feeders get uninterrupted power. Hence there is a difference in tariff.
- ii) HESCOM has replied that fixed charges are required to improve the infrastructure, improve quality of service etc. HESCOM is moving towards average cost of supply and some differentiation among consumer is inevitable. It has also said that tariff revision is necessary to bridge the revenue gap.

**5. Shreyas Papers Private Ltd, Dandeli**

- i) The above customer has asked the Commission not to revise the tariff, quoting their industry and its problems.

**HESCOM response**

- i) HESCOM has replied that as the existing revenue from existing tariff is not sufficient to cover annual revenue requirement, the revision of tariff is proposed.

**6. Gokak Textile Mills, Gokak**

- i) The above customer has explained the plight of the textile mills, particularly in Gokak. They have said that theirs' is the only mill in the area and they need to be exempted from the tariff hike. They have asked for some rebate since they have taken steps to maintain the power factor over 0.90 and also concession for use of energy during night times. They have objected to levy of charges on 75 per cent of contract demand. Instead they want it to be levied on actual recorded demand.

**HESCOM response**

- i) In their HESCOM has said that it cannot give any undue preference to any consumer and the request to exempt textile industry is unjust. Regarding power factor, HESCOM has replied that maintaining power factor is for the benefit of consumer's loads such as compensation of inductive load, improvement in voltage at consumer point etc. Hence the question of giving rebate on power factor does not arise.
- ii) HESCOM has said that in Karnataka there is no concessional tariff for power consumed during night hours. However special incentive scheme for industries under HT2(a) category is proposed. Regarding levy of demand charges/fixed charges they have said that it is necessary for improving the infrastructure.

### **7. M/s. Ramnath Industries, Kumta**

- i) In their petition M/s. Ramnath Industries have raised a consumer dispute about the inferior quality of power supply. They have said they have maintained a Log book to record the power interruptions and have found that in Kumta, HESCOM is resorting to power shutdown for three to fifteen times in a day.

#### **HESCOM response**

- i) HESCOM have replied that the dispute raised by the consumer has been looked into and that suitable action has been taken to rectify the same. They have agreed that there were some serious disruptions and efforts are being made to improve power supply.
- ii) They have explained the steps taken to attend to consumer grievances by establishing Consumer Grievance Redressal Forums, 24 hours complaint cells etc.

### **8. Gadag District Chamber of Commerce, Gadag**

- i) The Gadag District Chamber of Commerce has objected to tariff hike on the following grounds:
- ii) They have said that the price (Rs.200) fixed for tariff documents is too much and needs to be reduced, so that, many people are able to purchase and submit their comments/objections. It is also stated that the documents are available only in Corporate Offices. They should be made available at other places as well.
- iii) They have stated that the figures and information mentioned in the Tariff Proposal are false and baseless. They have opposed the practice of including Fuel Escalation Charges with energy charges on the ground that

- it is against the consumers. They have said that HESCOM should buy more of power from hydel and renewable energy sources. They have alleged that there is no transparency in procurement of coal by KPCL. The efficiency gains of generation should be passed on to the consumers.
- iv) The Chamber of Commerce has said that due to bifurcation of KPTCL into five companies there is an increase in administration expenses, which will be reflected in the retail tariff. They have objected to levy of fixed charges and has called for a public debate on this issue.
  - v) They have said that the concessions given by the Commission to various categories of consumers has not reached them. The ESCOMS have not taken steps to deliver these concessions. They have brought to the notice of the Commission about poor quality of power supply in Gadag, Betageri and Kushtagi.
  - vi) The Chamber has requested to extend concession to reeling units like that of power looms. They have asked the Commission to complete Energy Audit and Cost of Service studies at the earliest without passing on the blame to consultants. They have also raised some technical issues like levy of power factor, temporary power supply etc.
  - vii) They have quoted the prevailing tariff in the neighboring states and have asked the reasonableness of proposed hike. They have asked for increase in life line units.

### **HESCOM response**

- i) In their reply HESCOM has stated that arrangements have been made to provide copies of tariff documents in circle offices. The rate fixed for the document is lesser compared to the rate of last year. Further, public announcements were made in leading newspapers as per the regulations of KERC.
- ii) Regarding the facts and figures in the tariff document, HESCOM has stated that they are true and correct and the objector has not given any basis for calling it incorrect. HESCOM has not raised the tariff since 1.4.2003 as a result its deficit is increasing. Hence the present tariff hike. Despite these disadvantages, the company has given subsidy to rural consumers.
- iii) Regarding energy charges, HESCOM has replied that it has not raised the issue in the tariff proposal. Since HESCOM is not paying to the generating companies, they cannot furnish any information. They have said that the creation of five companies is to bring in competition. Despite this, the administrative expense in HESCOM is less at 8.63 per cent of total expenditure.

- 
- iv) Regarding levy of fixed charges, HESCOM has stated that it is universally accepted practice and HESCOM is following the same. HESCOM proposes to recover 45 per cent of the total expenditure by way of fixed charges. They have also said that HESCOM has taken all steps to extend the benefit to consumers as per the directives of KERC. But the objector has not furnished any document to substantiate their claim.
  - v) HESCOM has said that it has taken steps to ensure proper power supply in Gadag-Betageri line. It has established one 220 KV station and two 110 KV stations. HESCOM is serving the consumers as per the Standards of Performance fixed by the KERC. Regarding power looms, HESCOM has stated that the rate per unit of Rs.1.25 is not fixed. But the Government of Karnataka has announced a scheme and the same is being followed by HESCOM.
  - vi) Regarding energy audit, HESCOM has replied that they have constituted a committee of top officers to conduct energy audit and the reports are submitted to KERC. It has also clarified that a retired Chief Engineer has been nominated to submit a report on cost of service and the same will be completed shortly.
  - vii) HESCOM has stated that the Commission has settled the issue of power factor and there is no need to reopen it. The tariff in the neighboring states cannot be compared to HESCOM since it depends on several factors like hydro-thermal mix, O & M expenses etc.
  - viii) Regarding the Life Line consumption limit, HESCOM has said that the Commission has fixed the limit after careful consideration. Hence there is no need to enhance this limit. The details are available in Form D-21 of the tariff proposal.

#### **9. The Electricity Consumers Association, Bagalkot**

- i) The above association has raised several consumer related issues. They have said that the amount of revenue earned by HESCOM is more than expenditure and hence there is no need for revision of tariff. They have said that HESCOM is collecting money in violation of the ES & D Code framed by the KERC.

#### **HESCOM response**

- i) HESCOM has replied that it has given full details of expenditure to be incurred and expected revenue in the tariff proposal. Further, fee is collected only as per the ES & D Code. The consumer association has not

furnished any evidence or document to prove that HESCOM has collected money in excess.

**10. Karnataka Chamber of Commerce & Industry, Hubli**

- i) The above organization has said that the increase in tariff for LT 5 category is almost 18 to 20 per cent, for LT 2 (a) it is 14 to 15 per cent and for LT 3 it is 21 to 23 per cent. They have said that they are already subsidizing other categories of consumers. They have requested to reconsider the tariff hike.

**HESCOM response**

- i) HESCOM has replied that during FY 06 it has to purchase 300 MU of power for LT-5 category of consumers. The cost of supply itself will be 429 paise per unit. Hence it is proposed to increase the tariff. HESCOM has said that, steps will be taken in a phased manner to move towards recovery of cost of supply.
- ii) In respect of LT-2(a), HESCOM has said that it has to purchase 443 MU and 188 MU for LT3 category of consumers. Considering the cost of purchase of 429 paise per unit, the proposed hike is reasonable. HESCOM has said that rates in neighboring states cannot be compared since it depends on various factors.

**11. North Karnataka Small Scale Industries Association, Hubli, Hubli Hotels Association, Hubli**

- i) The above association has said that the tariff hike for HT-2(a) is too much when compared to that of neighboring states. Further, they have said that they are subsidizing other consumers, and hence need some concession.

**HESCOM response**

- i) HESCOM has replied that the cost of supply for this category is 429 paise per unit. It has to meet the revenue gap of Rs.110.29 crores through revision of power tariff. Hence they have proposed a marginal increase. They have also said that they have not proposed any hike for the FY 04-05.

**12. Canara Tile Manufacturers Apex Association, Kumta**

- i) The above association has said that theirs' is a traditional industry with a history of over 100 years. The proposed hike cannot be borne by the industry since there is a slump in demand for the product.

**HESCOM response**

- i) HESCOM has replied that the demand for electricity is increasing more than the supply. Further, power from hydel sources is reducing, compelling the ESCOMS to buy costly power. Hence the need for power hike.

**13. Karnataka Textile Mills Association**

- i) The Karnataka Textile Mills Association have said that the tariff in neighbouring states is lesser when compared to that of Karnataka. They have said that they are unable to compete with textile mills of other states. They have commented on the quality of power supplied by HESCOM and have asked for incentive for maintaining the power factor above 0.9.
- ii) They have said that the textile industry is under tremendous pressure of competition and the Government of India has made an appeal to the State governments to bring down the power tariff supplied to textile mills.

**HESCOM response**

- i) HESCOM has replied that the reasons for hike in power rates are explained in the tariff document filed before the KERC. They have said that the rates for other categories are below the average cost of supply. Considering the paying capacity of consumers and welfare schemes of the Government, a marginal increase is proposed for industry.
- ii) HESCOM has said that it is following the standards of performance issued by the KERC scrupulously and wherever load shedding is resorted to in rural areas for more than 6 hours, a rural rebate is given by reducing fixed charges.



- 
- iii) Regarding T & D loss, HESCOM has said that it has been making efforts to arrest this loss and the same is explained in the tariff document.

#### **14. Federation of Karnataka Chamber of Commerce & Industry (FKCI)**

- i) The FKCCI have objected to the delay in filing the tariff petition by ESCOMS. They have said that ESCOMS have failed to comply with 15 directives issued by the KERC. FKCCI have also objected for not providing the study relating to cost of service and audited balance sheet. They have also raised issues relating to universal metering, cross-subsidy and the difference in Security Deposit reflected in the accounts of ESCOMS.
- ii) FKCCI has said that the present proposal of ESCOMS does not reflect factors which would encourage efficiency, economic use of resources, good performance etc. They have asked the KERC not to pass on the burden of T & D losses to consumers.

#### **HESCOM response**

- i) HESCOM has replied that the delay in filing the ERC is due to non-receipt of comfort letter from the GOK regarding the subsidy allocation. They have said that the details of compliance to the directives of the Commission is enumerated in page 17-26 of the ERC.
- ii) Regarding information about cost of supply, HESCOM has replied that as per the KER Act, the cost has been evaluated on the basis of average cost of supply in each tariff category. HESCOM has said that the study relating to cost of supply was given to M/s.Mecon Consultancy services, which was not acceptable to KPTCL/ESCOMS. Hence the same is given to a retired chief engineer and a report is awaited. Regarding submission of financial accounts, it is stated that the provisional balance sheet for FY 2004-05 to statutory auditors for audit has been submitted to KERC for validation of ERC.
- iii) Regarding universal metering, HESCOM has replied that it has achieved considerable progress in fixing meters to BJ/KJ installations and 100 per cent metering for street light installations. But in respect of IP set only 33 per cent installations have been metered as at end of March 2005, duly selecting the areas where there is no resistance.
- iv) HESCOM has replied that the IP set consumption is based on sample reading obtained from meters fixed to transformer centers predominantly feeding IP sets and after deducting the secondary line loss of 8 per cent the average consumption of each IP set is assessed.

- v) HESCOM has stated that by considering the increase in power purchase cost and other expenditure, power tariff hike is essential to bridge the gap of Rs.110.29 crores on the estimated revenue. The overall increase proposed in the tariff filing is only 11 per cent which is reasonable when compared to the increase in rate of expenditure and inflation rate.

### **Consumer Organisations**

#### **Electricity Consumers Network, Bangalore, Balakedarara Hitha Rakshaka Sangha, Sirsi**

The above organizations have made the following objections.

- i) The advertisement given by HESCOM does not include the progress made in implementing the directives by the KERC.
- ii) HESCOM has charged Rs.200 for the tariff document which contains 186 pages.
- iii) HESCOM has entrusted the work of billing to private agencies. But the representatives of this agency do not carry identity cards, have no required qualification and are irregular in meter reading work
- iv) Though HESCOM has said that there is no load shedding in urban areas, it is not true. It is resorted to unofficially. There is an increase in accidents and lines are not maintained properly. The progress in respect of rural electrification is not satisfactory.
- v) HESCOM says that IP set metering is 96 per cent. At the same time it is admitted that it is slow due to protest from farmers. Though the KERC has directed HESCOM to provide toll free telephones, it is not followed.
- vi) While providing the data for sales, no figures are provided for the unmetered consumers in category LT-6. There appears to be no effort to reduce T & D loss. Besides, the details of DCB is not furnished.
- vii) The provisional loss for HT lines is based on sample studies. In view of the extensive metering adopted in the HT and EHT system it should be possible to arrive at accurate figures.
- viii) HESCOM cannot purchase power from KPTCL but directly from generating stations. In such a case it is not proper to pass on any additional burden to the consumers. Details of employee cost is not available.
- ix) The Commission has disallowed payment of bonus in previous order. Yet HESCOM has included in its ERC. This should be disallowed.

- x) HESCOM has proposed to raise a loan of Rs.100 crores, without mentioning the sources of funds. The Commission should ensure that consumers are not overburdened with heavy interest.
- xi) The cost of power purchase is estimated at Rs.1478.43 crores and Rs.1650.60 crores for FY 05 and 06 respectively. In view of the Chairman, KPTCL's remark about availability of Hydel power, the estimation needs re-look
- xii) The Profit and Loss Account of HESCOM has some calculation mistakes in Table-51. This needs further clarification. In view of the fact that most of the accidents are caused due to the fault/negligence of the staff, the compensation paid to victims/their relatives should be recovered from the concerned staff. The Commission should not allow HESCOM to levy surcharge on tariff.

### **HESCOM response**

- i) HESCOM has replied that it has taken several steps to improve the quality of service. It has said that 11 Nos. of new 33 KV sub-stations have been commissioned and 8 Nos. of additional 5MVA power transformers have been installed. A regular interaction meeting with consumer welfare association at Sub-division level is put in place. In each of the Assembly Constituency a Vidyut Salaha Samithi is constituted on the basis of list received from GOK. Ten such samithis are constituted. Besides, the Consumer Grievance Redressal Forum has been established as per KERC guidelines.
- ii) Regarding cost of the ERC book, HESCOM has said that the cost is arrived at based on cost of printing/photo coping and spiral binding and the directive of the Commission is not violated. The process of issuing identity cards for meter readers in Sirsi and Mundgod is under progress.
- iii) Regarding load shedding, HESCOM has said that break down of units in generating stations, shortage of fuel, break down of equipments in sub-stations are some of the unforeseen reasons. This cannot be avoided completely. HESCOM is aware of the accidents and is taking preventive steps in this direction.
- iv) HESCOM has furnished the details of progress achieved in respect of Capital Investment Program. Regarding IP set metering, it has replied that the target is revised from 36670 to 7155 due to reduced budget allocation and resistance from the farmers. Toll free telephones will be provided to Karwar and Sirst Towns shortly.

- 
- v) HESCOM has clarified the matter relating to sale of power. It has said that T & D loss is reduced from 31.92 per cent to 29.13 per cent and the estimated loss for FY 05 is 27.57 per cent. It has also enclosed a floppy containing DCB of HESCOM for FY 03-04. HESCOM has also furnished the details of power purchase as revised and submitted to the Commission.
  - vi) Regarding Bonus, HESCOM has said that it is as per the tripartite agreement. They have said that the Profit and Loss account is only an abstract and the amount is correct. Regarding accidents, HESCOM has explained that it is conducting detailed investigation to avoid recurrence of the same.
  - vii) HESCOM has said that since there is delay in submission of ERC, HESCOM may get the benefit of tariff revision for half year. Hence the Commission is requested to grant surcharge on tariff for short period to cover the deficit.

### **Mr.Krishnaji Shamarao Deshpande and other consumers from Belguam**

The above consumers have raised the following objections:

- i) The proposed tariff adversely affects the interests of poor consumers under category LT-2a. In view of the fact that the Government of Karnataka has agreed to provide a subsidy of Rs.1650 crores for FY 04-05 and Rs.1750 crores for FY 05-06 there is no reason for ESCOMS to ask for a hike.
- ii) KPTCL and ESCOMS should publish figures under Demand Collection and Balance of revenue for FY 03-04. Audited Financial statements are needed for the past three years.
- iii) Balance amount of pending bills must be made known to consumers. T & D loss are more than permissible limit. This should be made known to the public. ESCOMS should be called upon to produce records showing the loss and also defective transformers.
- iv) Proportion of un-metered consumption as a percentage of total consumption is said to be higher. This must be checked in details and MNR meter replaced.
- v) Fixed charges which stand at single rate are now raised and charged at different rates per KW. However uninterrupted supply of electricity is not ensured. Hence fixed charges are to be abolished in toto or compensated with free units.
- vi) The administrative and general expenses are not to be passed on to consumers.

vii) They have also suggested for changes in slabs.

**HESCOM response**

- i) HESCOM has replied that the cost of supply is Rs.4.29 per unit. It is proposed to bring all domestic consumers at least near the average cost of supply. Hence it is proposed to increase fixed charges from Rs.20 per KW to Rs.25 per KW. They have also stated that there is no hike in energy charges up to 30 units consumption. For domestic consumers who consume less than 100 units, the proposed increase in tariff is minimum
- ii) Regarding subsidy, HESCOM have replied that even after considering the subsidy announced by the Government, there will be revenue gap of Rs.110.29 crores. This needs to be met by tariff increase. HESCOM has said that a floppy containing information in Form 18(A) is sent to the objector.
- iii) Regarding steps to recover the dues from all consumers, HESCOM has said that the details are shown in Form 18 and 18A. The list of consumers with arrears of more than Rs.50000 will be published in newspapers.
- iv) HESCOM has said that the expected T & D loss will be 15.5 per cent. Loss reduction is a slow and cumbersome process requiring huge investment. HESCOM is trying to improve its distribution network.
- v) Regarding proportion of unmetered consumption, HESCOM has said that action is being taken to provide meters to all installations. The progress of fixing meters to IP set installations is very slow due to the farmers' protest. Not recording meters are less than 1 per cent of total metered installations.
- vi) Regarding Fixed charges, HESCOM has said that it is required to create infrastructure and it is justified.

**Farmers and Farmers Association****Karnataka Rajya Raitha Sangha, Uttara Kannada Jilla Krishika Samaja, Kumta**

- i) The above organizations have said that the deficit shown by HESCOM is not legal. HESCOM is unable to give good quality power supply. It is using low quality materials and also wires are not replaced. They have said that till such time HESCOM is able to provide quality power for 24 hours a day, the minimum charges should be fixed at Rs.10. Further they have said that the people of Uttar Kannada have sacrificed their lands for power projects and hence they are to be given concessions. At least 100 units of power should be given at reduced rates.

- ii) They have also stated that the basis for collecting minimum charges should not be the number of IP sets but the total HP. If a farmer has more IP sets but the total HP is ten, it should be considered for rebate. They have also asked for concessions in tariff for other categories.

### **HESCOM response**

- i) HESCOM has replied that it has taken several steps to improve the quality of service. Old lines are being replaced and billing has been computerized. Considering the difficulties faced by the consumers in rural areas, HESCOM has given rebate to them amounting to Rs.5 crores during FY 2005.
- ii) Regarding load shedding, particularly in rural areas, HESCOM has said that it is unavoidable. However, rebate is given to such consumers who suffer load shedding as per the directives of the Commission. HESCOM has also said that all employees in HESCOM are not getting power at concessional rate. Only those covered by the Tribunal Award are given such facility. However, there is a constant decline in the number of such employees due to retirement.
- iii) Regarding tariff for LT5 category, HESCOM has stated that due to increase in cost of power purchase and other expenses, there is a need to increase tariff for this category of consumers. Besides, this category of customers provide cross subsidy. Hence the increase.
- iv) In respect of LT6 and LT6(1) HESCOM has stated that power is supplied to these categories at a concessional rate considering their nature of service (water supply and street lighting). As per the Electricity Act 2003, all consumers will be charged cost of supply in a phased manner.

**Mr.Vasant S.Chandavarkar, Sridhar Subraya Hebbar, Nagraj Manjunath Hegde, of Bharatiya Kissan Sangha, Bhatjkal, Narasimha Murthy Asheesara, Bharatiya Kissan Sangha, Sirsi.**

The above farmers have raised the following objections:

- i) HESCOM has not implemented the directives given by the KERC at the time of issuing the first tariff order in 2000.
- ii) Though HESCOM is telling that the number of employees is coming down, the expenditure on staff salaries is increasing. The KERC should put an end to this wasteful expenditure.

- iii) HESCOM is trying to install meter in places where there is opposition but has not taken steps to install meters where farmers are ready for such metering.
- iv) HESCOM is not taking any action to trim trees, install transformers and attend to the grievances of the consumers.
- v) HESCOM has said that the average consumption of an IP set is 5011.68 units. But the areas coming under HESCOM get the highest rainfall in the State and the average usage of IP set is less than 6 months. Hence working out average consumption is not correct.
- vi) HESCOM has agreed that there are around 2 lakh unauthorized IP sets in the State. This is due to the inefficiency of the officials of HESCOM. Just because farmers have not given declaration they have been clubbed under LT4b category. This is not correct.
- vii) HESCOM has allocated Rs.102 crores for energizing IP sets. But applications are pending since 1995. HESCOM is collecting Rs.10000 as penalty and regularizing unauthorized IP sets.
- viii) While HESCOM levies a penalty for delayed payment, it is not paying any interest on deposits.
- ix) In other states, the first 100 units of consumption is charged on a concessional rate. But in Karnataka, it is limited to 30 units. This needs to be increased.
- x) It appears that HESCOM is trying to close down industries in rural areas. HESCOM is supplying power only for 3 hours.
- xi) The proposal of HESCOM to increase the power tariff should not be accepted unless it gives quality power throughout the day.

**HESCOM response**

- i) HESCOM has replied that the above objections are not based on facts and figures submitted by it. However they have given clarifications wherever possible. HESCOM has said that it is implementing the directions given by the KERC and details are available in pages 17-26 of the tariff document.
- ii) Regarding the position of employees, HESCOM has said that the sanctioned strength is 11397 and there were 7040 employees working at the end of FY 04-05. When the existing employees get promoted, the vacancies in lower posts are filled up by outsourcing. Despite this, there is a shortage of manpower to the extent of 7.75 per cent.



- 
- iii) Regarding installation of meters for IP sets, HESCOM has said that except in Uttara Kannada district, there is protest from farmers for installation of meters. However, HESCOM has installed 129000 meters. Over 87 per cent of BJ installations and 100 per cent street lighting installations are metered.
  - iv) HESCOM is trying its level best to improve the quality of power supply in rural areas. However when there is heavy rain, it is likely that power supply is disrupted. They have said that in HESCOM the average load of an IP set is 4.6HP and average consumption is 6692 units.
  - v) With regard to regularizing IP sets, HESCOM has replied that during the period 1.12.2004 to 28.2.2005 and from 15.3.2005 to 30.6.2005 a total of 15533 IP sets have been regularized and the amount collected is credited to Account code No.55.113.
  - vi) HESCOM has replied that it will adhere to the regulations issued by KERC in respect of payment of interest on deposits. It has said that it has not taken any loan by paying 11.50 per cent interest. HESCOM is taking action to repay loans carrying higher rate of interest.
  - vii) Regarding life line concept, HESCOM has said that the minimum of 30 units per family is decided by the KERC. No hike is proposed for LT-2A up to 30 units. But this relaxation cannot be extended up to 100 units.
  - viii) With regard to closure of industries in rural areas, HESCOM has said that it has not received such cases. Load shedding in rural areas are inevitable and is based on load demand.

### **Public Utilities**

#### **South Western Railways, Bangalore & Hubli**

- i) The objector has requested the KERC to limit the tariff hike to 10 per cent and have asked for incentives for maintaining better power factor. Other points include reduction in principal amount, payment of interest on security deposit, concessional tariff for HT industrial/traction, lower tariff for loss making stations, categorization of consumers, street light tariff for LC gates, reducing wheeling charges and limiting T & D loss.

#### **HESCOM response**

- i) HESCOM has replied that it has filed its ERC considering the revenue requirement, annual revenue and subsidy commitment of the Government of Karnataka. In order to meet the revenue gap a tariff increase of 11.30 per cent is essential. Regarding power factor, HESCOM has said that the model conditions of supply have been submitted to the KERC. It has not proposed any incentive for improvement of power factor.

- ii) Regarding collection and payment of interest on security deposit, HESCOM has replied that it will follow the Regulations issued by the KERC subject to the orders of the High Court on writ appeals, if any. It has said that the objector has not furnished any reason for extending concession to LT-3/HT-2b tariffs.
- iii) HESCOM has said that there is no proposal for giving discount for consumption exceeding 1 MU per month. Further they have said that the request for lowering tariff for loss making stations is not worth considering because good number of such cases are available in other categories of commerce and industry.
- iv) HESCOM has accepted the concept of categorization of consumers like ABC on the basis of prompt payment. They have said that customers with highest consumption and prompt payment are recognized as 'Gold Card Consumers' HESCOM has not agreed to application of streetlight tariff for level crossing gates
- v) Regarding rationalization of tariff structure, HESCOM has said that it has worked out the annual revenue requirements and revenue gap based on actual accounts figures for two years. Hence even minute changes will affect the estimated revenue for FY-06. Hence rationalization in tariff structure cannot be considered.

#### **Bharat Sanchar Nigam Limited, Bangalore**

- i) BSNL have said that they should not be classified under 'commercial' category but as an industry. They have quoted the definition of the word industry in support of their claim and has quoted the ruling of the Rajasthan Electricity Regulatory Commission.

#### **HESCOM response**

- i) HESCOM has stated that all ESCOMS have classified BSNL under HT-2B/LT-3, which is correct. The tariff to this category is designed considering the maximum paying capacity of consumers. The revenue earned from these categories is sufficient to cover other than power purchase cost only. HESCOM has stated that it depends on other consumers for payment of purchase cost and needs cross subsidy from consumers of industry and commerce.
- ii) HESCOM has quoted the example of big hotels taking certificate from Department of Commerce and Industry to be classified as 'Hotel industry' and has said that classification is not made exclusively considering the purpose for which electricity is used but also of the place where it is used.

- iii) HESCOM has said that it is planning to reduce cross subsidy within a span of five years.

### **Karnataka Neeravari Nigam Ltd, Bangalore**

- i) The objector has said that they are involved in Lift Irrigation (LI) scheme and the electricity supplied for IP sets and LI is the same. But there is a difference in tariff applicable to these two categories. They have said that supply of power through HT lines should not be the sole reason and a bar for applying tariff applicable to IP sets to LI schemes.
- ii) They have said the need to operate LI schemes does not exceed 4 months in a year. Further due to higher tariff for LI schemes it is becoming unviable. They have said that against the actual consumption of Rs.181 crores during the past four years, they have paid Rs.6.79 crores to HESCOM.

### **HESCOM response**

- i) HESCOM has replied that it has proposed different tariff for LT-4a and HT-3a categories, considering paying capacity of individual farmers and corporation. Tariff applicable to LT-4a are maintained at previous level and for HT3a it is reduced from 80 paise per unit to 50 paise per unit subject to Rs.1000/HP/Annum and Rs.720/HP/Annum respectively. HESCOM has said that prescribing annual minimum is necessary to restrict unnecessary load requirements.
- ii) Regarding concession due to use of LI scheme only for 4 months in a year, HESCOM has said that it has to maintain the infrastructure for the whole year and the request of the objector cannot be considered.
- iii) HESCOM has said that it has incurred Rs.3.52 crore for supply of 9.65 MU drawn by the objector. The average cost of supply being Rs.3.65 per unit. Hence HESCOM has to get cross subsidy of more than Rs.1.77 crores/annum from other categories to meet this gap.

### **Krishna Bhagya Jala Nigam Limited, Bangalore**

- i) The above objector has stated that the end use of electricity supplied under Lift Irrigation Scheme as well as IP sets are same i.e farmers. However there is a huge difference in tariff applicable to these categories. They have also said that seasonal industries are given some concession, which is not available to LI scheme, which is also seasonal.

### **HESCOM response**

- i) HESCOM has replied that it has not proposed any increase in tariff of LI schemes covered under HT3 (a) category. Instead the tariff is reduced from existing tariff of Rs.0.80 per unit to Rs.0.50 per unit and annual minimum charge of Rs.1000 per HP is reduced to Rs.720 per HP.
- ii) HESCOM has stated that IP sets and LI schemes are covered under the subsidized categories. Whereas the seasonal benefit is facilitated to the cross subsidized industrial category since the tariff to these categories are above average cost of supply of Rs.4.29 per unit. Hence the proposal for extending this benefit to LI scheme is not justifiable.

### **Military Engineer Services, Bangalore**

- i) The MES has stated that there is no separate tariff category for defence which, has been clubbed under HT 2(a).They have said that MES is a non-profit making non-commercial department of the Government of India. The services rendered by them stand apart and cannot be equated with the service of other departments.
- ii) They have said that most of the defence consumption is domestic and energy is used for imparting training to troops, and they have erected dedicated feeders to ensure independent reliable power supply. They have requested the Commission to create separate category for defence wherein they are treated separately and be levied as per actual consumption. They have also asked for not levying any penalty.

### **HESCOM response**

- i) HESCOM has replied that it is not showing any undue preference to any consumers in fixing tariff. But different tariffs are proposed in accordance with consumer's load factor, consumption of energy etc. They have said that consumers should not exceed their Recorded Demand at any time over the sanctioned Contract Demand. The reason for imposing penalty over and above the sanctioned contract demand is to maintain grid discipline and also to restrict the load flow on the existing infrastructure.

### **Government of Karnataka, Chief Engineer, Minor Irrigation (North) Bijapur**

- i) The above department has objected to the hike in tariff on the ground that lift irrigation schemes are run for a limited period. Whereas, power charges are levied throughout the year on sanctioned load. Further, they have said that water rates are not revised regularly. They have also said that the rural rebate offered to IP sets is not extended to lift irrigation.

### **HESCOM response**

- i) HESCOM has replied that it has reduced the existing rate of energy charges and annual minimum charges in the proposal filed before the Commission. They have said that HESCOM has to purchase 40 Mus for FY 06 for supply of electricity to Lift Irrigation schemes in HESCOM area. In case rate of average cost of supply is applied to the energy supplied, it works out to Rs.17.16 crores for FY 06 whereas it is proposed to demand Rs.7.51 crores from irrigation department.

**GESCOM****SUMMARY OF OBJECTIONS RAISED BY CONSUMERS AND REPLIES GIVEN BY GESCOM FOR TRAIFF PROPOSAL BEFORE KERC**

**Chief Engineer, B.S.N.L.**

**The following are the objections raised by BSNL:-**

- i) Telephonic Exchanges can be classified under the category of Industrial Consumers and tariff structure as applicable to industrial establishments shall be considered.
- ii) The tariff applicable to telephone exchanges of BSNL may be changed to HT-2A/HT-1 and LT-5/LT-6.

**GESCOM response:**

i & ii: The telephone exchanges of BSNL is placed in commercial category since there is no manufacturing process rather than engaged in providing telecom services.

**Grasim Industries Limited (Rajashree Cements):-**

- i) Hike in electric tax on demand charges unjustified.
- ii) Transmission and distribution loss is high.
- iii) Non-recovery of dues from the defaulters on the cases booked by vigilance.
- iv) Non-recording of meters as on 31.3.04 is 72,886 numbers. The action should be taken to install meters to improve the revenue collection.
- v) Technical losses should be reduced.
- vi) Repair and maintenance expenses and employees' cost is high in FY 06.
- vii) Administration and General Charges (A&G) charges has increased year by year.
- viii) Cross subsidization to other sector by putting additional burden on the industry is not healthy.

**GESCOM response:**

- i) Electricity tax is levied by GOK and it is charged on the overall bill. There is no electricity tax in the present tariff revision.
- ii) Energy loss of cities are compared with ranges from 17 to 36% during the year 04-05. All efforts are being made to bring down the loss by 18%.
- iii) Action is being taken to recover the back billing charges.
- iv) Due to paucity of funds, MNR meter is not replaced at once. They are being replaced depending upon the availability of funds.
- v) Percentage of loss during FY04 and FY05 is 33.69% to 38.86% respectively. The pilot meters fixed to the distribution transformer center feeding IP set was not properly represented the usage of IP set as 313 of DTCs only meter as against 27000 Nos.
- vi) Repair and maintenance expenses increased from Rs.5 crores during FY-04 to Rs.10.03 crores during FY05 and projected to Rs.10.53 crores during FY-06 due to increase in materials and labour cost.
- vii) Increase in administration charges is due to innovation measures taken by the Company to improve consumer service and revenue of the Company.
- viii) GESCOM is not making any profit and it is working for its survival and better service to the consumers.

**H.K.T.Mining Private Limited, Hospet:-**

- i) Request to give up proposed enhancement of tariff rate for industrial tariff.

**GESCOM response:**

- i) The tariff application envisages to rationalize the tariff structure through recovery of users charges based on the cost of supply in line with Section 27 sub-section 2 of KER Act, 1999. The overall increase is only 11.12% which is reasonable and hope will consumer will bear this burden.

**Raichur Solvent Ltd., Raichur, Raichur Chamber of Commerce & Industries  
**Hotel Owners' Association, Raichur, S.Kamal Kumar Jain, Raichur**  
**Sri Balaji Trading Co., Raichur, M/s.Bhandari Udyog Ltd., Raichur**  
**Secretary, Raichur Rice Millers Association****

- i) Industries, Commercial Establishments, Domestic Consumers are charged more for electricity consumption. Other categories like public utilities, street lights and agriculture are charged less or not charged as their paying capacity is low.
- ii) As approved by the Hon'ble Commission, the T & D losses should be maximum of 28% whereas actual loss is 38.86%.
- iii) Unauthorised 22951 Nos of IP sets loss is Rs.574 lakhs. 51865 IP sets not metered causes huge revenue loss to the GESCOM. So also BJ/KJ, street lights are not metered causes huge revenue loss.
- iv) 76806 Nos. of meters not recording leads to much more loss.
- v) Non-disclosure of energy consumed by GESCOM employees

**GESCOM response:**

- i) Rates of domestic consumers are enhanced moderately than those of commercial consumers. Industries can withstand charges proposed by GESCOM. IP set of 10 HP are not enhanced. IP set of more than 10 HP are also enhanced. Streetlights are also enhanced.
- ii) Regarding consumption under Government schemes, Government is paying subsidy. Hence, it is not passed on to other categories. Due to increase in purchase cost and other O&M costs, reasonable hike is inevitable.
- iii) GESCOM accepts that T & D loss is high. In order to decrease the loss, Capital Investment is necessary which is being met by APDRP and other financing schemes
- iv) There is high resistance from IP set owners to fix the meters. GESCOM is taking suitable action to regularize unauthorized IP sets. BJ/KJ is being converted to LT-2(a) by providing meters.
- v) Action is being taken to procure meters for replacing MNR meters.
- vi) Free electricity not exceeding 200 units per month per employee is provided to the employees as per the agreement between the



Management and the Employees Union. The units are accounted. Suggestion of Petitioners to use less energy consuming device is welcome.

**Chairman, Karnataka Textile Mills Association:-**

- i) Cotton textile industry is labor-intensive but also power-intensive. The tariff should match with the tariff in the neighboring States.
- ii) Rebate to be given on improvement of PF more than 0.9.
- iii) T & D losses should be reduced to international norms.

**GESCOM response:**

- i) Power was available at reasonable rates because there was less gap between generation and demand. Now, there is a huge gap between the generation and demand. Hence, there is poor quality of power supply. The cost of O & M expenses, transportation etc. are hiked and, hence, hike in power tariffs.
- ii) HT consumers have to maintain 0.9 PF. Regarding rebate on PF above 0.9, a proposal is being submitted to the Commission.
- iii) T & D losses for FY05 is at 38.55% and projected loss for Fy06 is 36.75% and hence T & D loss is decreasing trend. The Company is putting up its best efforts in upgrading and modernizing of transmission and distribution system.

**Sri Suryanarayana, President Contractors Association Ltd., Bellary**

- i) Energy loss is high at 38.55%
- ii) Transformer failure rate is high i.e. 17.68%
- iii) No directives of Hon.Commission is implemented by the licensee.
- iv) Collection of fixed charges and energy charges are in substantial is unethical.

**GESCOM response:**

- i) Energy loss for FY-05 is 38.55% and the energy loss for FY-06 is 36.75%. It is evident that percentage of loss is on decreasing side. Efforts are being made to further decrease this.

- ii) During 2004-05, percentage failure of transformer is 17.68% and this is due to heavy wind and gale in the area. Action has been taken to reduce the failure rate.
- iii) As per the KERC directive, IVRS is implemented in Gulbarga city. Action is being taken for remote meter reading of 11 KV feeders. Also, infrastructure facilities of IP sets is in progress and work in respect of 5867 completed and the work in respect of 6268 is progressing.
- iv) This is an internationally accepted method of billing of electricity consumer irrespective of the fact that the consumer is utilizing electricity. GESCOM will be incurring cost towards O & M expenses, establishment charges, interest payable on borrowings and depreciation. This attributes to claim of charge. fixed charges, while energy charges are related to consumption of electricity.

**Karnataka Small Scale Industries Association, Bangalore**

- i) The above Association has objected saying that the number of non-recording meters as on 31.12.04 is 76806. As such, there is loss of revenue to the Company and the same may be made good by completing the replacement of non-recording meters.
- ii) They have stated that the revenue loss to the Company due to failure of distribution transformers is 16.37% during 2003-04 and 17.68% in 2004-05. They have asked the GESCOM to take immediate action to reduce transformer failures.
- iii) They have asked the GESCOM to improve the quality so that growth of industries are encouraged in Gulbarga.

**GESCOM response:**

- i) GESCOM has replied that the empty sub-divisional staff are instructed to set right non-recording meters depending upon the availability of meters. Regarding transformer failures, GESCOM has stated that due to heavy wind and gale in the area, there was transmission failures. They have also stated that the slow growth of industries is not due to electricity tariff hike. They have agreed to improve the quality of service as suggested by the Objector.

**South Western Railway, Hubli**

- i) The Objector has requested the Commission to limit the hike to 10%. They have stated that incentive should be given for maintaining the power factor above 0.95. They have further requested for concessional tariff for

traction, power used during night, consumption exceeding 1 MU per month, rebate for loss-making stations, categorisation of consumer for payment of bills, reduction in tariff for level crossing gates from commercial to street light rate, rebate for EHT and reducing wheeling charges.

**GESCOM response:**

- i) GESCOM has replied that tariff fixing is mainly dependent on input power purchase cost, O & M cost, Establishment cost etc. Further, it also depends on hydro-thermal mix, subsidy provided by the Government. The proposed revision is to bridge the deficit. Regarding incentive for maintaining power factor above 0.95, GESCOM has stated that it is not recovering the average cost of supply from all the consumers and, hence, it is not possible to give incentive for maintaining PF in excess of 0.95.
- ii) Regarding concession to Railways, GESCOM has replied that Railways is a commercial organization and it is not facing any socio-economic problems or subsidy. Hence, a separate tariff cannot be designed for them. Regarding levy of street light tariff for Railway level crossing, GESCOM has stated that Railways are engaged in commercial activities and, hence, commercial tariff is justified.
- iii) Regarding decrease in the number of slabs under LT tariff, GESCOM has stated that revenue requirement is arrived at to meet the gap and to recover the cost of supply from all categories but it is not possible to recover the same as some of the categories are cross subsidizing other categories. Hence, it is not possible to alter the tariff slabs as it is designed depending upon the paying capacity of the consumers.
- iv) Regarding collection of fixed charges on the basis of sanctioned load, GESCOM has replied that irrespective of the fact that the consumer is utilizing or not that cost towards O & M expenses, establishment, interest payable on borrowings etc are to be paid. Hence, the collection of fixed charges, depending on sanctioned load, is justified and universally accepted.

**Timber Merchants' Association, Raichur:**

The above organization have raised the following objections:-

- i) They have objected to the different types of charges imposed on different categories of consumers.
- ii) They have stated that the loss due to consumption of electricity by some categories of consumers under the Government schemes is to be

- reimbursed by Government only and not to be passed on to the industrial, commercial and domestic consumers who are already over-charged.
- iii) They have stated that the transmission and distribution losses should be at the maximum of 25% only. Whereas the actual losses is 38.86%. This is due to inefficient management by GESCOM, as a result GESCOM is losing around Rs.124.00 crores.
  - iv) They have stated that 51865 IP sets are not metered and 23951 IP sets are unauthorized. They have indicated that the loss due to this will be around Rs.574.82 lakhs. They have asked whether the subsidy from the Government is included in this loss. They have also raised an objection that 76806 meters are not recording. Further, they have taken objection to the losses indicated in places like Basavakalyan, Bellary, Raichur, Gulbarga in the energy audit report.
  - v) The Association has stated that GESCOM has collected substantial amount of deposits from the customers but interest is not paid on the same. The customers are charged with minimum deposit even after the consumer uses energy above the minimum consumption sanctioned. Hence, the energy charges are to be charged on those units, which are in excess of minimum monthly consumption. The Association has objected to the supply of free electricity to GESCOM employees. They have argued that each employee is to be supplied with specific maximum units free of costs for only one house. The employees are to be instructed to use cheaper methods of power like use of gas stove, solar heater etc.

**GESCOM response:**

- i) Regarding discriminatory charges imposed on different types of consumers, GESCOM has stated that rates for domestic consumption are enhanced moderately than those of commercial establishments. They have stated that industries can withstand the charges proposed by GESCOM. With regard to IP sets, they have stated that the rates are not enhanced upto 10 hp and a marginal increased above 10 hp.
- ii) Regarding T & D losses, GESCOM has accepted that the loss is on a higher side. However, measures to decrease the same have been taken up. Capital investment is being made by APDRP scheme. Regarding un-metered installations of IP sets, GESCOM has stated that there is high resistance from IP set owners. Because of the Government policy, the unauthorized IP sets are adding up. However, GESCOM is taking suitable action to regularize the same. The BJ/KJ installations are being converted into LT 2(A) and 18 units are being fixed for such installations.
- iii) GESCOM has stated that action is being taken to procure meters for replacing non-recording meters. Regarding monthly minimum charges,

GESCOM has replied that it is based on the connected load of consumption of different categories. Interest will be given on the deposits and all divisional officers are informed about this.

- iv) Regarding free electricity to employees, GESCOM has replied that employees are given not exceeding 200 units per month per employee. This is as per the agreement between Management and the Employees Union. The suggestion of the Objector to use energy saving devices is welcome.

**Sree Maharana Prathap Simha Rajaput Samaj, Bellary**

- i) The above organization has stated that the limit of 30 units is not sufficient.
- ii) They have stated that for industrial use (LT-7) the cost is Rs.3.30 per unit upto 500 units whereas for domestic use (upto 400 units), it is Rs.4.30 per unit.
- iii) They have objected for the levy of commercial tariff for choultries and making discrimination for taxpayers. They have also objected to minimum security deposit, service line charges, infrastructure charges etc.

**GESCOM response:**

- i) Regarding the limit of 30 units, GESCOM has replied that the same is sufficient for a poor family. Hence, the limit is fixed. Regarding taxes on electricity, they have stated that it is the Government of Karnataka which levy taxes. Regarding levy of infrastructure charges, GESCOM has replied that the same is required to improve the infrastructure and other expenses.

**F.K.C.C.I, Bangalore**

- i) The above Objector has stated that the ERC has not been filed as per the Act. There is a delay of more than 4 months.
- ii) They have stated that the Licensee has not complied with 15 directives out of 25 directives issued by the Commission.
- iii) Embedded cost study showing cost of service of supply has not been provided.
- iv) They have also stated that the Audited Balance Sheet are not provided, justification of rate of return not furnished and also cost of supply has not been furnished.

- v) They have stated that the whole exercise of filing ERC would be futile if the important directives in respect of universal metering, cost of supply, paying capacity, study of tariff etc. are not adhered to.
- vi) The Objector has submitted that the issue of difference of Rs.476 crores from the total of consumer deposits of Rs.1662.01 crores lying with the KPTCL has got reflected as Rs.1186.18 crores after the transfer to ESCOMs. The difference of Rs.476 crores has been brought to the notice of the Commission time and again.
- vii) While arriving at the average cost of supply, the expenses which are identified as forming the part of fixed charges have been already taken and distributed over the total sales. Therefore, there is no need to separately consider increase in fixed charges without assigning reasons.
- viii) They have stated that all the 4 ESCOMs with varying consumer profiles, varying distribution losses and other general cost could arrive at the same tariff hike applicable to all the consumers in the State. The very fact that all the ESCOMs are able to project identified pricing is an indication of clever manipulation to match their revenue deficit.
- ix) Regarding T & D losses, they have stated that the T & D losses are derived as a residual after deducting the metered energy and estimated consumption by irrigation pump sets and also the derived T & D losses is a matter which could be contested. The reason for higher power purchase cost will have to be revised in view of the fact that the hydel generation for the current year will be substantial due to the fact that the reservoirs are getting adequate flow. The Objector further states that the interest payment on consumer deposits have not been provided for in the Balance Sheet.

**GESCOM response:**

- i) GESCOM has replied that due to non-receipt of comfort letter regarding subsidy from the GOK, there was delay in filing the ERC. The Objector should know that GESCOM is a fully owned Company of Government of Karnataka.
- ii) GESCOM has stated that the compliance to the directives issued by the Commission have been enumerated in the tariff filing.
- iii) Regarding the cost of supply, GESCOM has stated that the cost has been evaluated on the basis of average cost of supply in each tariff category. The COS model given by MECON Consultancy was not accepted by ESCOMs. This exercise has been out sourced by KPTCL and a report is awaited.
- iv) Regarding furnishing of Audited Balance Sheet, GESCOM has replied that the AG's certified balance sheet figures were taken into account for the year 2003-04. For the FY 04-05, the first six month provisional figures were taken into consideration. Now due to closure of Company's accounts for FY-05, the provisional balance sheet has been prepared and will be furnished to KERC for validation.
- v) Regarding tariff fixation, GESCOM has stated that costs depend upon input power purchase cost, O & M costs, interest on borrowings, Hydro Thermal mix and subsidy by the Government. The proposed revision of tariff is to bridge the gap of Rs.83.75 crores of revenue deficit.
- vi) Regarding levy of fixed charges, GESCOM has stated that the fixed charges component of Rs.215.63 crores is inclusive of IP set demand amounting to Rs.82.35 crores. Hence, the actual fixed charges works out to Rs.133.28 crores. As per the tariff filing for FY 06, the fixed charges components works out to Rs.219.37 crores which clearly shows that GESCOM is not recovering the full cost of fixed charges component in the tariff. Even in the power purchase cost, the cost of fixed charges is also included but the same is not taken into account for above calculation. So, the charges recovered under fixed charges works out to 60.75% which is exclusive of FC covered in power purchase.
- vii) Regarding universal metering, GESCOM has stated that due to financial constraints, it is unable to meter all DC and MNR installations. But it is proposed to spend Rs.26 crores to consumers metering and Rs.45 crores for DTC metering. This will help in estimating the IP set consumption and avoid arriving at the IP set consumption on sample basis.
- viii) Regarding cross subsidy, GESCOM has explained that cost of supply works out to Rs.4.82 per unit but realization of LT-5 consumers is about Rs.5.53 per

- unit. Similarly, HS-2(a) consumers are cross subsidizing to the extent of 134.70% but the cost of supply works out to Rs.4.82. The realization of HT-2(a) consumer is Rs.5.15 per unit. The proposed hike is just to bridge the gap of Rs.83.75 crores.
- ix) Regarding security deposit, GESCOM has replied that out of Rs.476 Crores, Rs.205 Crores has been capitalized by the KPTCL in its earlier accounts and the difference in the consumer security deposit amount has been adjusted.
- x) Regarding fixed charges, GESCOM has stated that the 2-part tariff is an internationally accepted method of charging of electricity. The fixed charge depends on sanctioned load while variable cost depends on number of units consumed. Whether the consumer uses electricity or not, the infrastructure is to be in place. Hence, the fixed charges are levied.
- xi) Regarding T & D losses, GESCOM has stated that for the past 2 decades, there no substantial capital investments made to decrease the percentage loss. However, efforts are being put forth to decrease the T & D loss within the available funds.



**MESCOM****Chief Engineer, Minor Irrigation(South)**

- i) Though the schemes are run for a limited period when water is available, the electricity charges are levied throughout the year.
- ii) Lift irrigation scheme is connected to rural feeder and hence the quality of power supply is poor.

**MESCOM RESPONSE:**

- i) MESCOM has considered the facts stated by the Objector in the proposal filed with the Commission. It has been proposed to reduce the rates of HT-3(a) category from the existing Rs.0.80 per unit and annual minimum of Rs.1000 per HP to Rs.0.50 per unit subject to annual minimum of Rs.720 per HP.
- ii) MESCOM is striving hard to improve the quality of power supply in rural areas in spite of many problems like lack of resources, shortage of manpower etc.

**Mr.K.P.Ganapathy, Chairman, Codagu Planters Association, Madikeri:-**

- i) To change the coffee plantation from LT-4(d) to LT-4(a).
- ii) Discrimination in the levy of power tariff for IP set used in coffee and tea plantation.
- iii) Poor quality of power supply.
- iv) Delay in metering of IP set installations.

**MESCOM RESPONSE:**

- i) Regarding re-classification proposed by the Objector, the same has been dealt at length by the Hon'ble Commission in the tariff order 2002-03 and based on the same tariff structure was proposed. In this filing also, the same tariff structure is retained. The marginal increase in LT-4(d) category is proposed commensurate with increased cost of supply.
- ii) The classification of consumers and method of billing across categories was dealt at length by the Hon'ble Commission in the tariff order 2002 and 2003. In the proposal by MESCOM, the same tariff structure is retained while proposing marginal increase, in view of increase in cost of supply.

- iii) MESCOM is striving hard to improve the quality of power supply in rural areas in spite of many problems like lack of resources, shortage of man power, etc. MESCOM has taken up the work of installation of additional DTCs and pre-monsoon maintenance like cutting of tree branches, etc. In view of terrain of areas in Chickmagalur, Kodagu districts, there could be slight delay in attending to the complaints.
- iv) MESCOM is striving hard to meter all the installations in spite of protests and also suitable action in curbing of illegal connections of IP sets.

**Shri Bharath Lal Meena, Cauvery Neeravari Nigama Ltd:-**

- i) Electricity charges are levied throughout the year even though lift irrigation schemes are run for a limited period when water is available.
- ii) To equate lift irrigation scheme with that of tariff applicable to IP sets under category LT-4(a).

**MESCOM RESPONSE:**

- i) MESCOM has considered the facts stated by the Objector in the proposal filed with the Hon'ble Commission. It has been proposed to reduce the rate of HT-3(a) category from the existing Rs.0.80 per unit subject to annual minimum of Rs.1000 per HP to Rs.0.50 per unit subject to annual minimum of Rs.720 per HP has been indicated by the Objector.
- ii) The classification of consumer was extensively dealt at length by the Hon. Commission in tariff order 2002 and 2003 and based on the same, tariff structure was proposed. In this filing also, the same tariff structure is retained.

**Shri N.Krishna Bhat, Kanara Small Industries Association, Mangalore**

- i) Management Information System (MIS)
- ii) Energy Audit
- iii) Non-recording of meters
- iv) Quality of service
- v) Transformer failure
- vi) Capital work programme

- vii) Metering of IP set installations
- viii) Levy fixed charges
- ix) Interest on 3 MMD
- x) Legalising of illegal connections

**MESCOM RESPONSE:**

- i) MESCOM is also working constantly to improve MIS and updating according to the requirement.
- ii) All the interface points connecting 33 KV and 11 KV lines are metered and action taken to meter DTC's catering power predominantly to agricultural consumers.
- iii) Prompt action is being taken to replace non-recording meters.
- iv) MESCOM has drawn action plan to improve infrastructure under APDRP project. Prompt action is being taken to replace the failed transformers. Additional transformers are being provided in low voltage areas. Complaint handling machinery being set up in all divisions and sub-divisions.
- v) Over loading of transformers, heavy rains coupled with lightning are the reasons for failures. Transformers failure is expected to come down by a great extent, once APDRP works are completed.
- vi) The Capital expenditure is essential to keep the power system working and sufficient improvement in quality of power has also been achieved. The MESCOM disagrees with the statement of Objector that Capital expenditure is incurred without any tangible results and the increased interest burden on the consumer.
- vii) There is a protest from the farmers in the districts of Chickmagalur, Hassan and Kodagu. Efforts are being made to install the meters by convincing IP consumers.
- viii) Fixed charges is being levied towards maintenance of infrastructure charges to guarantee the minimum revenue, even in case of no consumption and hence levy of a fixed charge is inevitable.
- ix) KERC has notified regulations for payment of interest on security deposit and payable in the 1<sup>st</sup> quarter of FY07.

- x) MESCOM is making all efforts to prevent unauthorized connections. Vigilance wing has been conducting raids to create awareness among unauthorized connections and book the case under anti-theft law.

**Chief Engineer, South Western Railway, Hubli**

- i) Railways should not be treated as commercial organization in view of social obligation catered to by the Railways.
- ii) Collection of MMD and payment of interest.
- lii) Request for reduction in the interest on arrears, better power factor incentives, EHT rebate, revising the rate of tariff applied to L.C. gates etc.

**MESCOM RESPONSE:**

- i) Railways are engaged in commercial activity and hence classification under commercial category is justified.
- ii) 3 MMD is being collected and interest on deposit for the year are payable to the consumer in the 1<sup>st</sup> quarter of following year at RBI rate of interest.
- iii) The issues like the rate of interest, power factor incentive, EHT rebate etc. are being implemented in accordance with the E S & D code and regulation formed by the Hon'ble Commission and methodology etc. stated in the Tariff Order 2002 & 2003 issued by the Hon'ble Commission after detailed deliberations.

**Sri C.Valliappa, Chairman, Karnataka Textile Mill Association, Bangalore:**

- i) Power tariff is highest in Karnataka whereas in AP, Maharashtra and Tamilnadu, the power tariff is low.
- ii) Quality of power supply is very poor, frequency is low, power failure is too much.
- iii) Burden on cross subsidy to be reduced from the textile industry which is agro-based.
- iv) A & G expenses are high.

**MESCOM RESPONSE:**

- 
- i) Comparison from State to State is improper in view of different conditions like consumer profile, availability of resources etc. The upward revision sought are justified as the same have not been revised from one and half years and are commensurate with increase in cost of supply.
  - ii) It is to be stated that the frequency condition in the State have improved very much when compared to conditions prevailed 2-3 years back. MESCOM is striving hard to cater quality power supply in spite of shortages of manpower, resources etc.
  - iii) Cross subsidy cannot be reduced all of a sudden and the same needs to be reduced in a phased manner.
  - iv) A slight increase in A & G expenses is mainly due to retirement of employees and DA etc.

**Shri Prakash N.Raikar, General Secretary, Karnataka Small Scale Industries Association (KASSIA), Bangalore.**

- i) MIS improvement for enhancing consumer service, computerization work, billing system, maintenance of DCB shall be done.
- ii) APDRP is taken up 5 districts and remaining districts are to be taken up.
- iii) Growth rate of LT-5 installation is decreased, but the Company wants to hike the present tariff by 14.63%.

**MESCOM RESPONSE:**

- i) Early completion of modernization works such as MIS for improvement for enhancing consumer service, computerization of billing system and total revenue management service, etc. are under progress.
- ii) APDRP works are being taken up by the Company in other districts also and the same will be completed during this financial year. Action is also being taken to maintain the sub-stations, install capacitor bank at identified station.
- iii) The proposed hike in LT-5 category is being made after one and half years and is commensurate with the increase in cost of supply.
- iv) Overloading of transformers, heavy rains coupled with lightning are the prime reasons for transformer failures. Failure rate will be reduced once the APDRP works are completed.

**Shri Krishnandha Kamat, Secretary, District Small Industries Association, Udupi.**

- i) Power tariff in Karnataka is very high.
- ii) More than 60% of industries are sick due to existing high power tariff.
- iii) MESCOM is not in a position to supply quality and uninterrupted power supply to the SSI sections.
- iv) MESCOM's inefficiency of transmission failure of power, non-recovery of overdues and pilferage of power had led to proposed hike.
- v) The fixed cost billed on connected load, cost at an average of Rs.0.80 per unit which is not considered in tariff.
- vi) ESCOM is charging 5% tax on power tariff.

**MESCOM RESPONSE:**

- i) Comparison of tariff between two States is not relevant since conditions differ from State to State.
- ii) MESCOM disagrees with this statement. High power tariff is not the only reason for industry to become sick.
- iii) MESCOM is making all out efforts to supply good quality power to the consumers.
- iv) Proposed tariff hike can be avoided with better efficiency and management is not correct. The power tariff has been hike during December 2003. The hike proposed now after a lapse of more than one and half years is justifiable considering the increase cost of supply.
- v) Fixed charge become payable in view of the infrastructure provided by the Company. Linking fixed charge with energy charge is not correct.
- vi) 5% is the electricity tax levied by Government of Karnataka on total bill of the consumer. The amount is collected and remitted to the GOK.

**Shri Jayanarasimha Raj, Secretary, Coffee Board, Bangalore:-**

- i) It is requested to treat the coffee planters on par with other agriculturists and proposed enhancing of the tariff be dropped.

**MESCOM RESPONSE:**

- i) The Objector has objected to proposed hike in tariff of coffee plantation comparing the same at agriculture crops, classified under LT-4(a). The

marginal increase in the LT-4(d) category proposed is commensurate with the increase in cost of supply.

Regarding classification of consumers and method of billing across the categories was extensively dealt at length by the Hon.Commission in tariff order 2002 and 2003 and based on the same, tariff structure is proposed. In this filing also, same tariff structure is retained.

**Sri T.Ramappa, Secretary, FKCCI, Bangalore:-**

- i) The ERC tariff filing should have been filed not later than four months before the commencement of any financial year. The present filing has not met this requirement.
- ii) Earlier orders issued for implementation of efficiency have not been furnished.
- iii) Embedded cost of study showing the cost of service of supply of electricity bill each consumer category has not been provided.
- iv) Audited Balance Sheet/s are not provided as required.
- v) 100% universal metering has not been done and hence filing be rejected.
- vi) The authenticity of consumption figures by IP set and also the derived T & D losses figures is a matter which could be contested.
- vii) Interest payment on consumer deposit (MMD + MSD) have not been credited to consumers.
- viii) LT-3 (commission) have been constantly burdened with higher unit rates.

**MESCOM RESPONSE:**

- i) The Objector has raised objections regarding maintainability of ERC. The Hon.Commission has been requested for extension of time limit. It is requested that the delay in filing ERC may be condoned.
- ii) MESCOM has taken all necessary measures to implement the directives which is a continuous process. Periodical reports about implementation of directives are also being submitted to the Hon.Commission.
- iii) Action is being taken to work out the cost of service to various categories in the ESCOMs by a single agency and the same is expected to be completed during this year. After completion of the same, the details of embedded cost of supply can be furnished.

- iv) Hon. Commission directed the MESCOM to furnish the data as per provisional figures, pending submission of provisional accounts for FY-05. Accordingly, the details of provisional figures of revenue and expenditure to the end of March 2005 are in the process of submission to the Commission.
- v) Universal metering more than 50% progress is achieved. IN spite of opposition for fixing the meter by the public in some areas, the Company is trying its best to complete 100% metering. Further, the estimation of IP consumption even though it is done on sample basis is carried out taking readings in 2 DTCs in each section of the company and the total IP consumption of the company is arrived at. Complete data including working details are being submitted to the Commission every month. The introduction of time of day metering and prepaid meters is under consideration.
- vi) It is to be stated that in the absence of total metering in the entire Company and the system of billing which is being implemented, the IP consumption of the Company is arrived considering the sample data of at least 2 DTCs meter in each section for all the 12 months in a year and then arriving at an average IP consumption for the entire Company. Considering this assessed consumption only, T & D losses of the Company are being arrived at.
- vii) Provision will be made in the next ERC filing, as the interest is payable in the 1<sup>st</sup> quarter of FY07.
- viii) It is inevitable that some consumers need to be levied tariff in such a way to cross subsidise other categories.

**Upendra and others:**

The above consumers have raised the following objections:

- i) They have stated that KERC has given several directions and MESCOM has not implemented the same. Hence, the Commission should not entertain any tariff revision unless MESCOM complies with the directions issued by the Commission.
- ii) They have stated that MESCOM is employing more number of employees in the high-salary category rather than at the workers level. This needs to be discouraged in order to reduce expenditure.
- iii) They have stated that there is no opposition in several parts of the State for 100% metering. However, MESCOM has been taking an excuse for this



- stating that there is resistance and opposition by farmers for metering of IP installations.
- iv) Though MESCOM has stated that every effort has been made to improve the quality of power in rural areas, particularly during rainy season, the consumers have stated that MESCOM has not taken any steps to improve the quality of power supply. The standards of performance issued by the KERC, especially regarding handling consumer grievances, has not been complied with.
  - v) They have also objected to the figures given by MESCOM regarding the average consumption by IP sets. They have stated that though MESCOM has 3.25 lakh IP sets, they have been used less than 6 months in a year. Hence, the average annual consumption will be below 2000 units. Since the financial position of each Company differs, resorting to single tariff is not appropriate. The Commission may look into this aspect.
  - vi) The figures given by MESCOM regarding IP sets is misleading. Many of the farmers who have not given the declaration form have been clubbed under LT-4(b) but they are not based on actual consumption. Such classification is unscientific and is intended to collect more money from the farmers. Hence, we request the Commission to group all consumers under LT-4(a) and prescribe one unit rate.
  - vii) They have objected that though MESCOM has proposed investments for energizing IP sets, there is a long pending list for IP sets right from 1995.
  - viii) They have stated that billing for IP set is made once in two months though it is stated as three months in the ERC. Further, MESCOM is not giving interest on deposits whereas it is collecting 2% penalty for late remittance of electricity charges.
  - ix) They have stated that the electricity is a necessity of life and the present minimum units of 30 should be increased to 100. The concessional tariff for this slab should be extended up to 100 units.

**MESCOM RESPONSE:**

- i) In its response, MESCOM has stated that it has been trying to implement all the directions given by the Commission. It is wrong to say that they are not being implemented. Implementation of the directions also requires the cooperation of the consumers.
- ii) MESCOM has taken steps to fill up the vacancies in the lower categories. The same has been explained in the ERC.

- 
- iii) Regarding 100% metering, MESCO has stated that in places like Dakshina Kannada and Udupi districts, 100% metering has been done. However, in places like Chickmagalur and Shimoga, there is stiff opposition from the farmers for metering.
  - iv) Regarding the quality of power in rural areas, particularly during rain season, MESCOM has stated that they have been taking preventive measures like trimming of trees, installation of new TCs etc. However, there may be some exceptions where power has been shut down due to falling of trees.
  - v) Regarding the classification of IP set consumers, MESCOM has stated that this classification is based on the direction given by the Commission. Categorising of IP set consumers in LT-4(a) may not be appropriate.
  - vi) Regarding existence of unauthorized pump sets, MESCOM has stated that anti-theft law is in force. However, some time is required to complete the process.
  - vii) Regarding payment of interest and levying penalty, MESCOM has stated that penalty is being levied for late payment of bills as per the regulations of the Commission. Action is being taken to pay interest on deposits from the current financial year.
  - viii) Regarding extending the concessional tariff from 30 to 100 units, MESCOM has stated that the average consumption per month is 38 units. Only a marginal increase has been proposed.

**M.A.Vijayendra and others, Thirthahalli, Shimoga Dist.**

**A.R.Nagaraj and others, Thirthahalli, Shimoga District.**

**M.S.Ganesha and others, Thirthahalli, Shimoga Dist.**

**G.A.Srinivasa and others, Thirthahalli, Shimoga Dist.**

- i) The above consumers have stated that domestic consumers under LT-2 (a) have a very less income and they use only 80 units per month. Hence, the existing concessional tariff should be continued.
- ii) They have stated that the power supply for LT-5 consumers is bad, as a result they are suffering losses. The practice of charging minimum charges should be discontinued.

**MESCOM RESPONSE:**

- i) MESCOM has stated that the average consumption of domestic consumers is 38 units and there is no basis for 80 units as furnished by the Objectors. Hence, taking 38 units as average is in order.

- ii) Regarding low quality of power supplied in rural areas, MESCOM has stated that it is giving 25% reduction to rural areas.

**K.R.Gopinath Pai and others, Mudigere, Chickmagalur Dist.**

- i) The above consumers have stated that classifying IP set consumers in LT-4 (a) (b) (c) and (d) is unscientific and against the ethics. They have also stated that many of the IP set customers are compelled to have more than one IP set due to extent of land, depth of the well etc. In view of this, categorizing IP set consumers on the basis of number of sets is not appropriate.

**MESCOM RESPONSE:**

- i) Regarding supply of quality power in rural areas, MESCOM has stated that it is taking several steps to ensure quality power supply. Transmission lines, TCs, replacement of lines have been taken up in a phased manner. Classification of IP consumers is according to regulations or directions given by the Commission.

**Bharatiya Kisan Sangha, Puttur**

The following are the objections raised by the Bharatiya Kisan Sangha, Puttur.

- i) They have stated that since the new Company i.e. Chamundeshwari Electricity Supply Co. (CESCO) has been formed, the ERC should not be clubbed with MESCOM. A separate ERC for CESCO should be filed.
- ii) The delay in filing ERC by MESCOM is against the regulations issued by the Commission. Hence, the request for exemption should not be entertained by the Commission.
- iii) Though MESCOM has said that there is shortage of manpower and hence there is delay in attending to day-to-day works, it is found that MESCOM has not appointed employees in the lower levels, instead has taken steps to add more employees at the senior level. Hence, the Commission should not allow any increase in expenditure on staff expenses.
- iv) Regarding revenue collection, they have stated that in the MESCOM area, 90% of the customers pay the bills regularly and there is no case of non-payment of dues. Hence, the deficit shown by MESCOM is not correct.
- v) Regarding 100% metering, they have said there is no opposition in MESCOM area for metering. In fact, farmers have requested MESCOM authorities to install meters. However, MESCOM authorities have not taken

- up any steps in this direction. They have asked the Commission to issue directions to MESCOM for installing meters without any delay.
- vi) They have objected to the statements made by MESCOM regarding steps taken to improve the voltage. They have said that repeatedly MESCOM has promised to take up works like changing TCs, overhead wires etc. However, this has not been done.
  - vii) They have said that the quality of the meters installed by MESCOM is very poor. Any number of complaints given to MESCOM to replace meters have fallen on deaf ears. The consumer complaint handling system as notified by the Commission has not been implemented by MESCOM. Hence, the Commission should not entertain any tariff increase till the above steps are taken by MESCOM.
  - viii) They have also objected to the quality of transformers, materials used by MESCOM. They have said that MESCOM has not provided toll-free telephones for rural areas. No action is taken to disseminate information about consumer grievance system to the public. Similarly, the public are not aware of the standards of performance to be adhered to by MESCOM.
  - ix) They have said that unauthorised IP set installations are very less in Mangalore and Udupi districts. They have objected to the statistics given by MESCOM that the average capacity of an IP set is 4.25 hp and each pump will consume 5011.8 units per annum.
  - x) They have stated that the district has 3.25 lakh IP set installations and it is used only for 6 months in a year. Hence, all the losses of MESCOM cannot be attributed to IP set consumption.
  - xi) They have stated that in other States, concession is given to the first 100 units whereas in Karnataka, it is only for 30 units. They have requested the Commission to increase the limit to 100 units.
  - xii) They have objected to the move to segregate IP set consumers into various categories depending on payment of income tax, number of IP sets etc. They have also stated that categorizing IP set consumers depending on the declarations given is unscientific.
  - xiii) They have also stated that MESCOM is levying 2% penalty for delayed payment of bills. This is too much when considering the prevailing bank rates. They have stated that billing pattern should be uniform and not changed year and after.
  - xiv) They have stated that though MESCOM has promised to invest Rs.102 crores, there are applications pending from 1995 for getting IP set

connection. They have objected to the loans raised by MESCOM at heavy interests and have questioned the necessity of such loans.

**MESCOM RESPONSE:**

- i) Regarding ERC for CESCO, MESCOM has replied that the Company has come into existence on 01.04.2005. Hence, the same has been included under MESCOM.
- ii) Regarding delay in submission of ERC, MESCOM has stated that necessary applications were made to the Commission for extension of time.
- iii) Regarding employment of staff, MESCOM has replied that full details are available in the ERC and action has been taken to fill up vacancies in the lower cadre.
- iv) Regarding 100% metering, MESCOM has replied that only in Mangalore and Udupi, farmers have come forward for meterisation. However, in Chickmagalur and Shimoga districts, there is opposition for metering.
- v) Regarding quality of supply, MESCOM has replied that they have taken all possible steps to improve the power supply. Despite financial constraints, they have started replacing of TCs, wires etc.
- vi) Regarding wrong billing, they have stated that if specific instances are brought to their notice, the same will be attended to.
- vii) MESCOM has replied that toll-free telephones are being provided in a phased manner to enable the consumers to lodge their complaints. They have also stated that standard of performance have been put on the notice boards of divisional and sub-divisional offices and the same has been published in the newspapers. Customers can always have access to these documents in all the MESCOM's offices.
- viii) Regarding extension of concessional tariff up to 100 units, MESCOM has replied that the average consumption is 38 units and there is no proposal to increase tariff for the first 30 units. Only a marginal increase is proposed from 31-100 units. Considering the financial position of MESCOM, this is reasonable.
- ix) Regarding classification of IP set consumers, MESCOM has replied that this is as per the directions of the Commission and the Government. MESCOM is levying 2% interest on delayed payments as per the Regulations of the Commission.
- x) Regarding payment of interest on deposits, MESCOM has replied that action has been taken to pay interest during this financial year.

**The Karnataka Planters Association, Chickmagalur**

- i) The above Association has objected regarding classification of plantations. They have stated that there is no difference between Coffee, Arecanut and coconut. Since all the 3 are perennial crops and commercial in nature, there is no difference between them. Hence, it is submitted that there should not be any discrimination between Coffee, Arecanut and coconut growers while fixing power tariff.
- ii) They have stated that the average realization for IP sets under LT-4(d) is very high at Rs.13.11 per unit. They have stated that this clearly shows that IP sets under LT4 (d) category have already been taxed at a high rate when compared to the IP sets coming under LT4 (a) to (c).
- iii) They have objected to the rise in tariff without giving any reasons. They have stated that it is surprising to note that MESCOM has proposed a reduction in tariff for LT4 (c) category i.e. IP sets having sanctioned load of 10 hp applicable to coconut and arecanut plantations. By doing so, MESCOM is proposing to bring about another disparity among the coffee and tea plantations vis-à-vis coconut and arecanut plantations.
- iv) They have stated that the method adopted for charging power tariff for IP set consumers is unscientific. They have asked that IP sets used in Coffee and Tea Plantations be charged either at the rate per unit consumed or on the basis of rate per unit and Annual Minimum per H.P. whichever is lower.
- v) Regarding power supply quality, they have stated that the power supply to plantation areas in Chickmagalur, Kodagu and Hassan Districts remains to be of a very poor quality. The coffee estates are hardly getting three phase power for 4 to 5 hours in a day. It is, therefore, requested that this Hon'ble Commission do not permit MESCOM to enhance power tariff on IP sets as they have not followed the directions of the Commission in providing quality power in the coffee growing areas.
- vi) They have stated that MESCOM has agreed that in areas like Chickmagalur, hassan and Kodagu, there was no protest for metering. However, statistics provided by MESCOM shows that the achievement of IP set metering is way below the target fixed by the Company. This shows that MESCOM has failed miserably in installing meters for IP sets.
- vii) They have requested for re-classification under LT4(a) as there should not be any discrimination on tariff rates based on the capacity of the pump set.

**MESCOM RESPONSE:**

- i) Regarding re-classification proposed by the Objector, the same has been dealt at length by the Hon'ble Commission in the tariff order 2002-03 and based on the same tariff structure was proposed. In this filing also, the same tariff structure is retained. The marginal increase in LT-4(d) category is proposed commensurate with increased cost of supply.
- ii) The classification of consumers and method of billing across categories was dealt at length by the Hon'ble Commission in the tariff order 2002 and 2003. In the proposal by MESCOM, the same tariff structure is retained while proposing marginal increase, in view of increase in cost of supply.

**Bharatiya Kisan Sangha, Udupi.**

- i) They have stated that unless and until MESCOM complies with the directives issued by the Commission in full, MESCOM's request for ERC for FY 06 should not be considered.
- ii) Though MESCOM has said that there is shortage of manpower and hence there is delay in attending to day-to-day works, it is found that MESCOM has not appointed employees in the lower levels, instead has taken steps to add more employees at the senior level. Hence, the Commission should not allow any increase in expenditure on staff expenses.
- iii) They have stated that though the consumers of Dakshina Kannada, Udupi, Shimoga, Hassan, Chickmagalur & Kodagu districts have requested to provide meters to their installations, MESCOM has been providing meters to districts like Chamarajanagar where the meters fixed by MESCOM have been destroyed by the consumers. They have requested that the request of the MESCOM to incur expenditure to obtain meter readings for installations on contract basis should not be considered by the Commission.
- iv) They have objected to the statements made by MESCOM regarding steps taken to improve the voltage. They have said that repeatedly MESCOM has promised to take up works like changing TCs, overhead wires etc. However, this has not been done.
- v) They have stated that the district has 3.25 lakh IP set installations and they are used only for 6 months in a year. Hence, all the losses of MESCOM cannot be attributed to IP set consumption.



- vi) They have objected to the move to segregate IP set consumers into various categories depending on payment of income tax, number of IP sets etc. They have also stated that categorizing IP set consumers depending on the declarations given is unscientific.
- vii) They have stated that though MESCOM has promised to invest Rs.102 crores, there are applications pending from 1995 for getting IP set connection. They have objected to the loans raised by MESCOM at heavy interests and have questioned the necessity of such loans.
- viii) They have also stated that MESCOM is levying 2% penalty for delayed payment of bills. This is too much when considering the prevailing bank rates. They have stated that billing pattern should be uniform and not changed year after year.
- ix) They have requested that the Commission should consider to fix the rate for first 100 units for domestic consumers at Rs.1.80.
- x) They have also requested the Commission not to consider the ERC of MESCOM for FY 06 until MESCOM provides quality power supply to its consumers.

### **MESCOM RESPONSE**

- i) Regarding compliance to the directives of the Commission, MESCOM has stated that they have complied with to the extent possible.
- ii) Regarding employment of staff, MESCOM has replied that full details are available in the ERC and action has been taken to fill up vacancies in the lower cadre.
- iii) MESCOM has stated that cent percent metering to IP sets is completed in Mangalore and Udupi districts.
- iv) Regarding quality of supply, MESCOM has replied that they have taken all possible steps to improve the power supply. Despite financial constraints, they have started replacing of TCs, wires etc.
- v) MESCOM states that it does not agree with the contention of the Objector that the annual IP consumption of 5011.68 units is incorrect.
- vi) MESCOM states that the IP classification has been done as per the directives of the Commission.

- 
- vii) MESCOM states that the rate of interest on belated payment is levied as per Commission's directions.
  - viii) MESCOM states that the average consumption of domestic consumer in MESCOM is 38 units per month.
  - ix) MESCOM states that at present it is supplying three phase power supply to rural areas as per the directions of the Government from 6 hours to 9 hours per day. MESCOM is striving hard to improve the quality of power supply.

#### **Kudremukh Iron Ore Company Limited, Bangalore**

- i) The Objector has stated through various tables the monthly impact of the proposed tariff hike. It has stated that the percentage increase in demand and energy charges is very high.
- ii) The Objector has stated about the impact caused because of interruptions and has requested the Hon.Commission to advise MESCOM to improve the quality of power supply. It has further stated that MESCOM's failure to supply electricity in the desired quality will have direct and indirect effect on KIOCL's production performance.
- iii) The Company has stressed upon the fact that, the tariff proposal be based on various parameters which are to be considered while working out the cost of service. KIOCL has appealed to the Hon.Commission to reduce the tariffs for the extra high voltage (EHV) consumers who do not contribute to the technical and commercial losses in the system.
- iv) The Company has stated that it is paying the power bills of MESCOM promptly before due date and has requested the Hon.Commission to issue directions to MESCOM to give incentive/rebate in various slabs.
- v) The Company, by quoting several provisions in KER Act, has stressed upon the fact that, consumers paying less than the average cost of supply will have to pay more and vice versa and to determine tariff duly applying the same to all categories.

#### **MESCOM RESPONSE**

- i) MESCOM has stated that the increase proposed after 18 months is commensurate with the increase in cost of supply.
- ii) MESCOM has stated that KPTCL / MESCOM are striving hard to improve quality of power supply, a fact which has been agreed to by the Objector himself.

- 
- iii) MESCOM has stated that action is being taken to work out cost to service to various categories in the ESCOMs by a single agency and the same is expected to be completed during this year.
  - iv) MESCOM has stated that it is the duty of every consumer to pay the power bill before due date for the energy already consumed.
  - v) MESCOM has stated that the Electricity Act 2003 mandates for reducing the cross subsidy in a phased manner. Hence, it is inevitable that some consumers need to be levied tariff in such a way to cross subsidize other categories.

#### **Pradeep and others, Sakleshpur**

- i) The Objectors state that MESCOM has not taken any action regarding 2.5 to 3 lakhs of unauthorized IP sets and misuse of power supply by BJ/KJ installations. Unless MESCOM curbs this unauthorized use of power supply, it should not be given hike in the rates.
- ii) The Objectors state that the classification of IP sets as LT 4 (b)(c)(d) is unscientific. They request to adopt single rate of tariff for all these categories. They request for one common category of IP sets.
- iii) The Objectors state that there is no difference between coffee, areca, coconut, rubber, pepper, cardamom as they are all perennial crops and all are cultivated mainly by small growers. They state that there should not be any discrimination of tariff among the crops.
- iv) The Objectors state that coffee is reeling under slump of prices since 1998. They request the Commission to reduce the tariff.
- v) The Objectors state that quality of power supply is very poor.

#### **MESCOM RESPONSE**

- i) Regarding re-classification proposed by the Objector, the same has been dealt at length by the Hon'ble Commission in the tariff order 2002-03 and based on the same tariff structure was proposed. In this filing also, the same tariff structure is retained. The marginal increase in LT-4(d) category is proposed commensurate with increased cost of supply.
- ii) The classification of consumers and method of billing across categories was dealt at length by the Hon'ble Commission in the tariff order 2002 and 2003. In the proposal by MESCOM, the same tariff structure is retained while proposing marginal increase, in view of increase in cost of supply.

**Hebbal Kaigarikodhyamigala Sangha, Mysore**  
**Hebbal industrial Estate Manufacturers Assn., Mysore.**  
**Mysore Chamber of Commerce & Industry, Mysore**

- i) The Objectors state that as the districts of Mysore, Mandya, Hassan and Chamarajanagar pertain to CESC, CESC has to furnish ERC for FY 06 to the Commission and not MESCOM.
- ii) The Objectors state that though the average cost of supply is Rs.3.54, the industrialists are paying from Rs.6 to Rs.8 which lacks justification.
- iii) The Objectors state that in the rural areas the industries are getting three phase power supply for 7 to 9 hours only. They request that the industries in rural areas should be given three phase power supply for a minimum of 16 hours and until then fixed charges should not be levied on them.
- iv) The Objectors state that about 40% of the industries have closed down as they are unable to pay the high rate of energy charges. About 20% of industries are sick and 10% of the industries are about to be closed and only 20% of the industries are running successfully.
- v) The Objectors request that a separate tariff under "LT -5 SSI" should be created and reasonable tariff should be fixed for them.
- vi) The Objectors state that the industries should not be made to cross subsidise IP sets and other consumers.
- vii) They state that the proposed tariff for industries made by MESCOM is unrealistic and detrimental for the development of industries. They request the Commission to reject the tariff proposal of the MESCOM.

**MESCOM RESPONSE**

- i) MESCOM states that the average cost of supply is Rs.3.88. It also states that industries are not subjected to load shedding.
- ii) MESCOM states that while revising tariff for the consumers the subsidy granted by GOK will be considered.
- iii) MESCOM states that in order to reduce the subsidy gradually the tariff has to be increased.
- iv) MESCOM states that in rural areas three phase power supply will be given based on the GOK directions. Wherever load shedding is applied, such consumers will be given rebate of 25% in the fixed charges.

**Shri A.Ramadas, Ex-MLA & Smt.R.Manjula, Mysore**

The following objections have been raised by the above citizens.

- i) They have stated that the averments of the company that it is a licensee and successor entry of KEB/KPTCL having inherited its transmission and distribution business in the State of Karnataka is not correct. There is no question of inheritance by legal person who is constituted under statute.
- ii) They have stated that the statement of the company that they have inherited business activities, information etc. from erstwhile KEB and they do not have comprehensive electronic information and data storage management and retrieval system in place etc. are not correct. The present KPTCL & MESCOM is nothing but an old wine in a new bottle. The KPTCL / MESCOM are the only name given to the company constituted under the provisions of Companies Act and the entire set up of KEB is owned by the said KPTCL.
- iii) They have said that the averments made that the objective of power sector restructuring is to establish efficient management and regulatory system is only a statement. IN fact, with short experience, it is worst than the Board. There is no control over their own administration.
- iv) They have stated that the application lacks material details, does not contain actual data information and that the entire establishment is same except the constitution. They have further stated that it is the obligation of MESCOM to give all relevant data and furnish each and every head with full details to enable consumer to come to right conclusion.
- v) They have stated that the public notice issued by KPTCL/MESCOM justifying the tariff revision cannot be accepted as the facts and figures are only convenient to them.
- vi) They have mentioned that the revenue receipt and expenditure furnished by the companies cannot be accepted and have stated that normally facts & figures of 5 years are taken into consideration to assess actual deficit. They have further stated that if the entire system is studied with expertise view and opinion of experts in the field of management, definitely this Hon'ble Commission can evaluate KPTCL for all these years more specially by the persons in the helm of affairs. They have added that consumers are not against the Government Policy and that the consumers are only interested in quality reliable service at economically cheaper rate.
- vii) They have stated that the objectors though not experts in the field but being in public service and can definitely understand the intricacies involved in the proposed scheme put forward before the Hon.Commission.

- 
- viii) They have stated that the reasons put forward by KPTCL for need in revision is mainly due to increase in power purchase cost during current year are incorrect and cannot be accepted. They have further stated that the increase in power purchase cost is either created or manipulated by MESCOM/KPTCL. They have requested the Hon.Commission to peruse the estimated revenue figures though incomplete. They have contended that the tariff per unit in case of Tannir Bhavi is shown at lower level.
- ix) They have stated that the KPTCL has tried to show the cost of power purchase from Tannir Bhavi is low but in tariff filing they have shown the fixed charges payable to Tannir Bhavi as approved by KERC in its old tariff order, which is totally erroneous, misleading and designed to mislead the public. They have stated that the liability of KPTCL is being transferred to ESCOMS and ESCOMS want to transfer it to consumers.
- x) They have stated that the figures are not represented properly and the companies have not explained how the said exorbitant cost of power purchase have increased. They have stated that KPTCL & MESCOM have furnished splitwise cost of power purchased from various agencies and have added that if the Commission accepts the proposal of KPTCL (ERC for FY 06) the impact on the consumers would be very high.
- xi) They have stated that the statement of KPTCL/MESCOM regarding T & D losses is totally baseless since the calculation adopted by them is wholly unscientific and without factual basis. They have contended that the erstwhile KEB has issued a standing circular for all rural areas declaring power cut for 12 hours per day since 5 years and that the same is in force. 95% of agriculturists are small farmers using low HP power.
- xii) They have stated that the farmers use IP sets only 3 to 4 months in a year and that even in the said season, there will abrupt power cut, power fluctuation etc. The farmers in Malnad area use IP sets only for 3 months months in summer but they are paying for the 12 months. Since the farmers are paying 300% more than the power consumed, they have requested the Commisison to issue directive to MESCOM to charge only for 3 months. They have argued that the calculation adopted for assessment of consumption by IP set is only paper calculation to mislead the Commission.
- xiii) They have stated that if loss/pilferage is controlled, there is no need to increase the power tariff and that the revenue can be utilized for better modern operational and maintenance service.
- xiv) They have stated that KPTCL & ESCOMS are treated KEC as Tariff Commission and asking for rise in tariff without implementing the directives of the Commission. They have further stated that there is no improvement

- in quality of service which has stunted growth and resulted in closure of industries.
- xv) They have contended that KPTCL has not brought down T & D loss by augmenting distribution network, implementing APDRP scheme, stepping up vigilance and compounding theft.
- xvi) They have stated that the power purchase cost has gone up because of faulty one sided PPAs with IPPs. They have requested the Commission to allow energy sales estimate of 4649 MU in FY 05 with a distribution loss level of 21.2% (revised).

### **MESCOM RESPONSE**

- i) MESCOM is a successor entity of KPTCL and is functioning since 1.6.2002 by virtue of provisional license given by KERC followed by regular license thereafter and transfer scheme of KER Act 1999.
- ii) The objects of reforms are well established facts.
- iii) The application made with all relevant details as per Section 27 of KER Act 1999.
- iv) The public notices are given company wise as per the requirement of section 27 of KER Act 1999. The facts filled are actuals.
- v) The revenue receipt and expenditure filed financial year wise as per the audited figure for the year FY 04 and to be audited figure for the year FY 05.
- vi) Power purchase is being determined by the Commission after public hearing. After KERC/CERC come into existence power purchase cost determined by the respective commission after public hearing.
- vii) The cost of liquid fuel has increased very much in the last few months. Therefore there is substantial increase in variable cost.
- viii) The power purchase from IPPs are made only after absorbing all the power availability from CGS/State generating units and other cheaper sources.
- ix) The losses are calculated on scientific basis considering all the relevant data.
- x) The policy is to bill all consumers based on metered consumptions. CESC, Mysore interested to provide meters to all BJ/KJ, agricultural consumers in

a phased manner and bill them accordingly if the consumers are cooperative.

- xi) MESCOM/CESC Mysore is taking necessary steps in reducing losses.
- xii) The quality of power supply has increased considerably in the last 2 years.
- xiii) The KPTCL and all the ESCOMS are continuously striving to reduce losses.
- xiv) The increase in tariff is required to bridge the revenue gap.

**Kodagu District Small Growers Association  
Kodagu Irrigation Pump Set (Elec.)Owners Association**

- i) The above association has said that MESCOM has made discrimination by not treating coffee along with areca and coconut plantation. They have said that coffee industry is predominantly small grower oriented, 96% of the coffee holdings are to the extent of 10 hectares and below.
- ii) For the cultivation of coffee irrigation is done only for six weeks in a year. But coffee planters will have to pay power charges throughout the year. The consumption of power by the coffee planters by irrigating their plantation is in no way comparable to the areca and coconut plantation. Therefore it is not justified for seeking higher power tariff than areca and coconut.

**MESCOM RESPONSE**

- i) MESCOM has replied that there is a marginal increase in LT4(d) category commensurate with the increase in cost of supply.
- ii) MESCOM has replied regarding the reclassification proposed by the Objector, MESCOM has stated that the subject was extensively dealt at length by the Commission in tariff order 2002-03 and based on the same tariff structure is proposed.

**Energy Consumers Net Work, Bangalore**

1. The above organization has raised the following objections:
  - i) MESCOM has not taken any steps to implement the regulations issued by the Commission, particularly with regard to standards of performance and consumer complaint handling procedures.
  - ii) MESCOM has failed to provide vital information on T & D loss.



- iii) In its advertisement, MESCOM has listed out nine measures to improve the service but except three the others are mere statement because none of them can be seen in reality and action.
- iv) MESCOM has failed to implement the Commission's directive of universal metering. They have also said that Rs.2.00 lakhs for e-communication under the administrative expenses is not required. But MESCOM has not established website of its own.
- v) They have objected to the number of electrical accidents in MESCOM area.

### **MESCOM RESPONSE**

- i) MESCOM has replied that it is making all efforts to comply with the directives of the Commission. However, some of the directives like fixing of meters requires cooperation from the consumers. In spite of protests from the consumers, efforts are made to fix meters.
- ii) Regarding implementation of standards of performance, MESCOM has said that it has brought to the notice of the Commission the difficulties in implementing the regulations. However, MESCOM has taken action to constitute consumer grievance Redressal forum to look into the consumer grievances.
- iii) Regarding the T & D loss, MESCOM has stated that it has come down from 23.32% in FY 03 to 20.87% which is also well within the figure of 21.28% approved by the Commission for FY 04.
- iv) Regarding implementation of measures for improvement, MESCOM has said that it is taking action to the extent of the services to other areas mentioned in the objection.
- v) Regarding assessment of IP consumption, MESCOM has replied that it is arrived at considering the sample data of at least 2 DTC meters in each section for all the 12 months in a year. MESCOM has said that action has been taken to establish the website. To minimize electrical accidents, MESCOM has developed a detailed action plan to reduce accidents by taking up various system improvement works like conducting census of necessity of providing intermediate poles, to reduce loose spans which is one of the major causes of electrical accidents.

### **AKILA GRAHAKA PANCHAYAT, MYSORE.**

The above organization has raised the following issues.

- i) The very idea of annual revision of tariff is opposed by all organisations.

- ii) The names of the big defaulters and punitive action taken against them should be published periodically.
- iii) The increase in energy proposed beyond 100 units is against consumer interest.
- iv) There is no justification for levy of fixed charges every month.
- v) Incentives are to be provided for non-conventional power users.
- vi) Unauthorised use of power and theft are going on unabated in case of BJ/KJ.
- vii) No concession whatsoever should be extended to any category of consumers including employees.
- viii) Payment of compensation for various mishaps should be recovered from the people who are responsible for such mishaps.
- ix) There should be a greater transparency and accountability in the activities of ESCOMs.

### **MESCOM RESPONSE**

- i) CESCO has replied that the tariff hike has been proposed due to the revenue deficit.
- ii) Action is being taken regularly to recover the arrears of defaulters. The list of top defaulters will be published in the newspapers.
- iii) Regarding concessional rates for the first 30 units, CESCO has said that in respect of LT 2 (a) category the average consumption of less than 100 units will be taken.
- iv) Regarding levy of fixed charges, it is stated that that is required to meet the expenditure incurred towards construction and maintenance of distribution network.
- v) Regarding incentive to non-conventional energy users, CESCO has stated that the maximum incentive to consumers using solar water heater under LT 2 (b) was raised from Rs.25.00 to Rs.35.00 during the last revision. The same concession will continue.
- vi) Action is being taken for recovery of arrears from IP set and BJ/KJ consumers. The details are furnished to the consumer.
- vii) Free supply of power is not given to the employees. As per Industrial Tribunal Award, concessional power is given to those who are recruited

before 8.5.97. Also, every year, due to retirement persons getting such concession is getting reduced.

- viii) Regarding payment of compensation, ESCOMs are required to pay as per norms. Action is initiated against erring employees if enquiry reveals their fault.
- ix) Transparent policy of the Government is being followed in the Corporation. Vigilance police stations are set up to detect theft and pilferage and thus reduce commercial losses. Progress achieved is detailed in Format D.

**Ratnakara ST, Secretary, Taluk Aided High School Management Assn, Sagar**

The above association has raised the following objections.

- i) MESCOM is not implementing the regulations issued by KERC, especially standards of performance and consumer complaint handling procedures.
- ii) It has not taken measures to reduce distribution loss.
- iii) Government aided institutions are run on no profit basis. Hence, it is gross injustice to include under LT 2(b) instead it should be under LT 2(a).

**MESCOM RESPONSE**

- i) MESCOM has replied that it has taken action to give wide publicity for the regulations and its officers have been instructed to take action to implement the same. Similarly, MESCOM has brought to the notice of the Commission about the difficulties in implementing of the regulations.
- ii) MESCOM has initiated several steps to reduce distribution loss. IN this connection, they have said that loss in MESCOM has come down to 20.87% from 23.32% in FY 03 which is also well within the figure of 21.28% approved by the Commission for FY 04.
- iii) Regarding the classification of consumers, MESCOM has said that the method of billing across categories was extensively dealt at length by the Commission in tariff order 2002-03 and based on the same the tariff structure is proposed.

**Megharaj TD, President, Bharatiya Janata Party, Sagar Town**

The above organization has raised the following objections.

- 
- i) The existing slab for minimum tariff is too meager and should be increased to 100.
  - ii) They have proposed a scheme for collection of fixed cost for IP sets. Accordingly, there should be a reduction in fixed cost to Rs.10.00. The rationale for this is to encourage farmers to install energy meters.
  - iii) The plight of the small scale industries is pathetic and get only 9 hours of three phased power supply out of which day supply is only 4 hours. Even in this small duration, the quality of power is poor amidst unscheduled outages. Therefore, we appeal the Commission to reduce the fixed cost to at least half.
  - iv) MESCOM is not implementing consumer friendly regulations issued by KERC.

**MESCOM RESPONSE**

- i) Regarding the classification of consumers, MESCOM has said that the method of billing across categories was extensively dealt at length by the Commission in tariff order 2002-03 and based on the same the tariff structure is proposed.
- ii) Regarding improvement in quality of power supply, MESCOM has stated that the system improvement programmes are being implemented every year in spite of cash crunch. Further, in view of the increase in cost of supply the proposed hike is inevitable.
- iii) Regarding implementation of consumer friendly regulations, it is stated that action is taken to give wide publicity about the regulations and its officers have been instructed to take action to implement the same.

**Anand Kunder, Udupi**

The above objector has raised the following issues.

- i) MESCOM is following accounting on cash receipt basis and not on accrual basis.
- ii) On the basis of the statement GESCOM and MESCOM it is found that the increase proposed is same. However, if the deficit is made by the Government subsidy, inefficient ESCOM will get more subsidy. This is not an equitable step.
- iii) Full energy audit is a must. The salient features of the audit should be made public.

- iv) There is no justification for levy of fixed charges and there is no necessity to keep the categories from LT 4 to LT 4(d). These should be clubbed under one category.
- v) For those who use their own non-conventional power rebate should be given by ESCOMs
- vi) Whenever capital costs are met by consumers, adequate monthly rebate should be given to such consumers.
- vii) When there is deficit in revenue, there is no need to give free power to employees.
- viii) There are cases of costly turbines lying idle for months for no apparent reason. This needs to be looked into.

### **MESCOM RESPONSE**

- i) MESCOM has said that accounts are based on commercial accounting system on accrual basis and all the deficit calculation is on an accrual basis only. Revenue realized is taken care of in cash flow statement. Accounting system followed by MESCOM is in order.
- ii) Regarding inefficient MESCOM getting more subsidy, MESCOM has said that it is a policy of the Government to have uniform tariff all over the State. Hence, in order to achieve this, the distribution of subsidy given by the Government is made depending upon the gap of each company. In doing so, the subsidies will differ between ESCOMs.
- iii) Regarding energy audit, MESCOM has replied that it has an exclusive cell called energy billing and energy audit cell headed by an Executive Engineer and has developed software programme for the purpose of updating and linking of data inputs.
- iv) MESCOM has said that fixed charges are being levied towards the infrastructure charges which will be incurred by the Company even in case there is no consumption. Clubbing the same with energy charges is not proper.
- v) Regarding classification it is stated that the matter was discussed at length by the Hon. Commission by issuing Tariff Orders 2002-03. The same structure is retained in the present filing. Regarding rebate to non-conventional power sources, MESCOM has said that use of non-conventional energy by LT 2(a) category of consumers by offering Rs.0.35 rebate per unit subject to a maximum of Rs.35.00 for installing solar water heaters.

- vi) Regarding capital works, it has said that capital work programmes has to be executed by the company at its own cost is not proper. Ultimate beneficiaries are the consumers.
- vii) Regarding free power to employees, it is explained by MESCOM that as per Industrial Tribunal Award, concessional power is given to employees which is metered, billed and amount collected. Employees recruited after 8.5.97 are not given this facility.
- viii) Regarding idling of costly turbines, MESCOM has said that it is not entrusted with any energy generation for which the turbines are made use of.

### **Shree Kshetra Dharmasthala Institution, Dharmasthala**

The above institution has raised the following objections.

- i) They have said that they are providing social service to the devotees and doing other charitable works. Hence, they have asked that they may be billed in the first slab upto 30 units per kilowatt of sanctioned load instead of 30 units of entire installation or to bill the entire energy consumption at the lowest possible rate.
- ii) They have also requested for re-classifying the tariff considering the religious and charitable nature of their institution.

### **MESCOM RESPONSE**

- i) MESCOM has replied that while appreciating the services provided by the Institution, it is left with no choice but to seek tariff revision to meet the revenue gap. Further, they have also stated that the tariff hike is sought after a lapse of 2 years.
- ii) Considering the average consumption under the LT 2(a) category, no hike is proposed in 0-30 slab consumption. Further marginal increase of Rs.0.10 only has been proposed in the slab consumption of 31-100 units. Regarding the categorization, MESCOM has said that the methodology was deliberated in detail by Hon.Commission while issuing tariff order in 2002-03

### **Balakedarara Vedike, Udupi Balakedarara Seva Trust, Bantwal**

The above association has raised the following issues.

- i) The above organization has said that the tariffs are exorbitant and irrational and highest in the country.
- ii) MESCOM has failed to comply with the several directives issued by the KERC like reduction of T & D loss, metering at the interface point, providing remote meter reading, disconnection of unauthorized IP SET, reduction of transformer failures, recovery of dues etc.
- iii) There is no scientific basis for fixing the slabs for the various categories
- iv) The burden of free supply should not be passed on to the other categories of consumers but should be borne by the Government.
- v) There is immense scope for reducing expenditure particularly under the interest on borrowings.
- vi) The deficit is so small that if the efficiency / managerial capacity of the MESCOM is improved, it should be possible to improve the revenue.

**MESCOM RESPONSE**

- i) MESCOM has replied that comparison of power rates within States is improper in view of different conditions like consumer profile, availability of resources etc. It has clarified that the upward revisions sought are justified as the same have not been revised for the past 2 years.
- ii) Regarding implementation of directives, it has said that it is a continuous process and the company is striving hard to comply with the directives issued by the Commission in spite of shortage of manpower, resources, etc.
- iii) MESCOM has said that the proposal of implementation of differential tariff is under way and till such time the same is finalized, the same retail supply rate is proposed for the entire State.
- iv) Regarding the fixing of slabs, MESCOM has said that it is based on the same parameters considered by the Commission by issuing the tariff order 2002-03 after detailed deliberations.
- v) MESCOM has said that it is striving hard to ensure that the supply of free power is not misused. However, in this regard, cooperation from the public is requested.
- vi) Regarding passing of the burden of free supply to other categories of consumers, MESCOM has said that in spite of the Government subsidy of Rs.1750 crores in FY 06, there is a gap of all ESCOMs mainly because of

the increase in cost of supply and also the fact that the rates of majority of categories have not been increased from the past 2 years.

### **B.W.S.S.B, Bangalore**

- i) The above institution has said that higher cost of power for KPTCL is directly attributed to its misconceived and power procurement policies.
- ii) The increase in the average cost of power to Rs.3.88 projected by MESCOM for FY 06 is too insignificant and does not warrant any revision in the tariff. MESCOM has earned profit after tax of Rs.9.7 crores. This disproves the claim for increase in tariff.
- iii) They have said that as against the power purchase cost of Rs.1321.83 crores projected FY 04, the actual power purchase cost Rs.1275.57 crores. These discrepancies call into serious question the average cost of Rs.3.88 projected by MESCOM for FY 06.
- iv) There is an increase in the average incremental cost of power purchase by MESCOM. The incremental power in FY 06 is about 5% of the total purchase and is driving up the cost of the remaining 95% power also. The very high cost of additional power places unreasonable burden on the consumers.
- v) There is increase in the operating cost of MESCOM which is disproportionate to increase in the quantity of power sold by it.

### **MESCOM RESPONSE**

- i) CESCO has replied that the revised tariff filed in ERC of FY-06. The KPTCL follows policy of power purchase as per Section 49 of Electricity Bill 2003.
- ii) Regarding increase in the average cost, CESCO has said that the projections are based on cost of purchase during FY 05. The profit shown is less than 3% of the total investment for the year 04-05 and there was no profit. The projections are based on expected purchase of power from available sources.
- iii) Regarding increase in incremental cost, CESCO has said that the same is due to fixed charges and variable charges. As per contractual obligations, fixed charges have to be paid to the generating companies fully and the variable cost is paid in accordance with actual production. Further, variable cost of procurement from some of the IPPs is more than Rs.4.00 per unit due to steep increase in oil prices.
- iv) Regarding increase in operating costs, MESCOM & CESCO have said that it has to invest the money in order to improve the distribution network, to



maintain this in return if improvement is not carried out, it will further worsen the quality of supply. Therefore, expenditure is necessary.

**Bharat Sanchar Nigam Limited, Bangalore**

- i) The above company has raised several issues like definition of industry, the nature of service rendered by them, its social obligations, etc.
- ii) In view of this, they have asked commission to charge tariff under any of the concessional category falling under industrial/state/Central Government etc.

**MESCOM RESPONSE**

- i) In their reply, MESCOM has said that it is also a company providing services to various categories of consumers who are from the different sections of society in both urban and rural area, consumers below poverty line etc. and hence, the services rendered by MESCOM are no different from any social service organization. They have also quoted letter by the Commission wherein the request for change of tariff of BSNL from commercial to industrial category is rejected.

**KIADB Industrial Area Manufacturers Association (KIAMA), Mysore**

The above Association has raised the following objections:

- i) MESCOM has miserably failed to bring down transmission losses to 7.5% as per the directives of KERC. MESCOM has projected a distribution loss of 20.88% which shows the inefficiency of the Management.
- ii) They have objected to the downward revision of tariff in respect of LT-4 (c) by 32.29% and HT 3(a) & (b) by 27.93%.
- iii) They have said that MESCOM has not given any figure regarding existence of non-metered installations category wise. They have said that MESCOM has given only the target and achievement. They have said that MESCOM is trying to revise the order of KPTCL through KERC by getting approval for electronic Tri Vector meters for measurement of PF. It was represented to KPTCL by various Associations regarding the deficiency of electronic Tri Vector meters and its functioning.
- iv) They have objected to the calculations proposed for wheeling charges. They have said that wheeling charges has not been taken into account in P & L a/c in existing and proposed tariff. On the estimated wheeling of 6220 MU for Fy 06 on the basis of proposed Rs.1.75 per unit total revenue from wheeling alone will be RS.1088.5 crores. This revenue alone can wipe out all the losses and the proposed tariff revision for FY 06 is not necessary.

**CESC RESPONSE**

- i) Regarding T & D loss, CESC/MESCOM has replied that it was formed with effect from 1.4.2005 and has planned to invest Rs.60 crores for system improvement works and to reduce T & D losses.
- ii) Regarding the downward revision of certain categories it has replied that in LT-4 (c)HP minimum is retained and energy charges reduced to Rs.0.50 per unit. In HT-3a HP minimum as well as energy charges are reduced. In HT-3b, no change in tariff. This is being done mainly due to the fact that the consumers belong to irrigation and agriculture sector. Even though the tariff is reduced, the revenue return cannot be expected from these category of consumers.
- iii) Regarding progress of metering, CESC/MESCOM has given the figure of existing non-metered installations only as targets. It is continuously striving to achieve 100% metering of all BJ/KJ, streetlights and IP installations in a phased manner.
- iv) Regarding Electronic Tri Vector meters, CESC/MESCOM has stated that it is not trying to revise the order of KPTCL through KERC. In case defects of any meter is brought to the notice of the Corporation, the same will be checked and appropriate action will be initiated.
- v) Regarding wheeling charges, CESC/MESCOM has said that they have not projected wheeling of energy as 6220 million units. It is an estimated total energy flow through the distribution network. The wheeling charges are scientifically calculated using principles of energy transmission and distribution. The anticipated revenue from wheeling charges is Rs.4 lakhs as per the projection furnished in D2.

**S.Ramesh, Advocate, Hunsur**

- i) The above consumer has raised objections to the difference in tariff BESCOM and CESCO/MESCOM. He has also raised several objections about the rise in fixed charges, minimum slabs etc.

**CESCO/MESCOM RESPONSE**

- i) CESCO has replied that the tariff now proposed now is identical to the entire State of Karnataka.

**Bheema Bhat, Bantwal, D.Kannada**  
**Kallar Krishna Bhat, Bantwal, D.Kannada**  
**C.V.Gopalkrishna, Bantwal, D.Kannada**  
**Venkataramana Bhat, Bantwal, D.Kannada**

**M.Venkatakrishna, Bantwal, D.Kannada**  
**Mangalore Zone Electricity Consumers Federation, Puttur**

The above objectors have raised the following objections.

- i) They have said that MESCOM has violated provisions of Electricity Act 2003, Companies Act, 1956, and Section 27 of KER Act and KERC (Tariff) Regulations 2000.
- ii) They have said that there is delay in filing ERC and non-compliance of the directives issued by the Hon.Commission. Further, they have also objected for filing combined application covering the area of supply of Chamundeshwari Electricity Supply Corporation Ltd also.
- iii) They have also objected to the expenditure worked out based on the Bulk Supply Tariff and Transmission charges of 254.88 paise/unit proposed by KPTCL with effect from 10.6.2005. KPTCL is prohibited from entering into any contract or trading in electricity.
- iv) They have said that MESCOM has claimed that it had 34645 Kms of 11 KV lines against 106171 Kms of LV lines which means that the ratio between the two are 1:3.06 and not 1:1 as per the required standards. They have said that MESCOM has not made any efforts to reduce the ratio between the HT line and LT line. This high ratio may be one of the reasons for high T & D loss.
- v) They have said that the expenditure involved in outsourcing the billing activities has not been mentioned by MESCOM.
- vi) They have said that no amount has been shown in the assets of the MESCOM in respect of replaced/added meters. Since the claim of MESCOM about the number of meters installed itself is not based on figures but based on imagination, it covered this lapse by continuing to put the meters along with Plant and Machinery.
- vii) They have said that the contention of MESCOM that the average consumption per BJ/KJ consumer estimated at 18 units per month is arbitrary and erroneous and without any basis. Instead of providing first hand information available with it on the energy consumption, MESCOM has relied on arbitrary estimation and untenable reasons.
- viii) They have said that MESCOM has not spelt the correct basis for estimation of average consumption per IP set. The estimation made in IP set category below 10 hp is also arbitrary, unrealistic and based on imaginary assumptions and without any basis. They have further said that MESCOM has not disclosed the number of non-functioning and defunct IP sets.

- 
- ix) They have said that month wise sample meter reading from Jan to November for 5 hp IP set was 2611.34 units only or for 12 months it would be 2848.73 only or for 4.25 HP the estimated power consumption would be 2421.42 units. Hence, the estimation of 5011 units per 4.25 HP estimated in the ERC is totally imaginary. Therefore, the energy consumption for this category should not be approved.
- x) They have also objected to the tariff rate of Rs,720 per HP per annum to un-metered installations and not to metered IP set installations. MESCOM is erroneously raising back bills for Rs.10/- per hp per month in case of metered IP sets also with effect from 1.9.2004 and in some Sections (Puttur Division) claims have been raised for Rs.10/- per hp per month with effect from 1.4.2003. This shows lack of effective administration by the Management.
- xi) Regarding loss reduction, they have objected that MESCOM has not proposed any serious and meaningful proposal to reduce losses, both technical as well as commercial. MESCOM has not specified the programme for increasing the number of distribution transformers .
- xii) Regarding T & D loss, they have said that the energy loss claimed by MESCOM is too high and the loss as targeted in tariff Order 2000 alone may be allowed. They have requested the Hon.Commission to direct MESCOM to fix responsibility among its officials for high commercial losses and to take exemplary actions against its officials who are found guilty.
- xiii) Regarding power purchase procurement plan & cost, they have said that MESCOM has not given confirmation that all interface points were metered and the meter readings of those interface metering points alone were taken into account.
- xiv) Regarding manpower expenditure, they have said that amounts estimated towards employee's cost is highly disproportionate to the energy being distributed by MESCOM.
- xv) Regarding administration and general expenses, they have said that the value of vehicles as on 31.3.2004 has been shown as Rs.7.40 crores whereas the insurance premium payment is Rs.4,121.00. This is highly unbelievable and required investigation. They have said that the licence fee of Rs.10 lakhs paid to the Commission and the filing fee of Rs.41.98 lakhs to the Commission are not accounted either in Table 12 or Form D-7 for FY 06.
- xvi) Regarding non-implementation of provisions of Electricity Act 2003, they have stated that MESCOM has not made any provision for payment of interest on security deposit of consumers and is holding up an amount of Rs.378.22 crores in FY 04-05.

- xvii) They have said that MESCOM has not disclosed any plan for introduction of pre-paid meters under Section 47(5) of the Act. They have said that MESCOM has not looked into other avenues for better utilization of its assets like license fee for using its poles for fixing cables of TV Networks etc.
- xviii) They have also raised some objections regarding excessive depreciation, interest, Reasonable Return, and Allocation of subsidy.
- xix) Regarding increase in fixed charges, they have objected to the proposal of increase of fixed charges of LT-2(a) category in the absence of determination of Cost of Service. Since MESCOM has not provided actual cost of service to any category of consumers, the Commission may take such lapse seriously and should not allow any increase in Fixed Charges till MESCOM supports its case of revision in Fixed Charges with such study.
- xx) They have also objected rates applicable to LT-2(b) category. They have said that in view of Government policy to encourage education, especially children up to 14 years, the Hon'ble Commission may appreciate the role played by such institutions in rural areas and lessen the tariff on par to that of Schools and Educational institutions run by Government & local bodies.

### **MESCOM RESPONSE**

- i) Regarding filing of ERC, MESCOM has said that application has been made as per KSRC Tariff Regulations issued by the Commission. Hence, the reference of "allegedly" made by the Objector is not correct.
- ii) Regarding maintainability of the ERC, MESCOM has said that the Hon. Commission before forming Regulations under Electricity Act 2003 has taken action to publish the draft regulations, conduct hearings wherever required, before finalizing the same. The statement made by; the Objector that the Commission has no jurisdiction is not valid.
- iii) Regarding preparation of accounts, MESCOM has said that the same has been prepared based on the rules laid down under Electricity (Supply) Act, 1948 as well as KERC (Licensing) Regulations 2004 and Electricity Act 2003.
- iv) MESCOM has stated that the details of provisional figures of revenue and expenditure upto end of March 2005 are in the process of submission to the KERC.
- v) In respect of length of the lines, MESCOM has said that the information is provided in ERC filing in Page 3, para 2 under Administrative and

- Operational structure. They have also said that action is being taken to work out cost of service to various categories by a single agency and the same is expected to be completed during this year.
- vi) Regarding subsidy, MESCOM has said that the amount of subsidy agreed by the GOK for FY 06 has been submitted to the Commission and the same is Rs.1750 crores. This amount is allocated to ESCOMs based on the gap arrived after considering the cross subsidy. They have also said that all efforts to comply with the implementation of directives is being made.
- vii) Regarding combining of ERC in respect of CESCO, MESCOM has said that since the Corporation is newly formed, a decision was taken to file ERC for FY 06 covering the areas of CESCO which is in order.
- viii) Regarding the issue of non-reduction of HT/LT line ratio, MESCOM has said that many system improvement works could not be taken up due to financial crunch.
- ix) MESCOM has also given replies for the following:
- a) Action has been taken to computerize billing activities in 24 sub divisions of MESCOM.
- b) IP set consumption is estimated based on the DTC metered consumption with at least two numbers provided for each section.
- x) Regarding reduction of technical & commercial losses, MESCOM has said that during FY 06 it has taken up improvement works like early procurement of materials etc. which will reduce technical & commercial losses.
- xi) Regarding metering of interface points, MESCOM has said that it has confirmed to the Commission that all the interface points are provided with meters. Further, necessary action is being taken to replace NR interface meters immediately as and when they become faulty. Further, it has said that the transmission loss / wheeling charges for energy exchanges between the companies may have to be accounted henceforth, as suggested by the Objector.
- xii) Regarding expenditure towards insurance, MESCOM has said that company's fixed assets other than vehicles are not insured. Vehicle insurance, road tax. Etc. are classified under account head "vehicle licence and registration fee". Regarding payment of license fee to KERC, it has said that Rs.10 lakhs paid towards license fee has been included under A/c head "Fees & Subscriptions" and Rs.50.00 lakhs has been shown in table D-7 under the same head.

- xiii) Regarding depreciation, MESCOM has said that it is following the depreciation rates as per GOI 1994 Notification and other rules. It has stated that it is following accounting system as per Companies Act 1956 to the extent not inconsistent with the Electricity (Supply) Act 1948.
- xiv) Regarding the aspect of allocation of subsidy, MESCOM has said that the company has to account GOK subsidy as per purchaser provider model. The company has not entered into an MOU with GOK to obtain subsidy under purchaser provider mode.
- xv) Regarding non-compliance of directives, MESCOM has said that implementation of the directives is a continuous process and that it is trying its best to comply with the directives issued.

**Dakshina Kannada Vidyuth matthu Nadhi Neeru Balakedarara  
Hitharakshana samithi, Bantwal**

The above Association has raised the following objections:

- i) The ERC filing of MESCOM should not include ERC of CESCO.
- ii) There is a delay in filing of ERC.
- iii) No action has been taken to comply with the directives issued by the Commission.
- iv) No information is provided regarding revenue collection in respect of certain categories of consumers.
- v) Collection of interest of 24% is illegal.
- vi) In places where IP sets are used only for 6 months in a year, separate tariff should be issued.
- vii) The rebate given for solar water heating system should also be extended to solar lighting system.
- viii) Pass books should be issued to IP set consumers.
- ix) 24 hour power should be given to people who pay promptly.

**MESCOM RESPONSE**

- i) Regarding inclusion of CESCO, MESCOM has said that since the Corporation came into existence only on 1.4.2005, the same has been included.

- ii) Regarding delay in filing ERC, MESCOM has said that the delay in filing is not illegal. The same has been done after informing the Hon.Commission and obtaining its permission.
- iii) Steps have been taken to appoint staff or employees in the lower level categories.
- iv) Regarding classification of IP sets, MESCOM has said that this has been on a scientific basis as per the directives of the Commission.
- v) Regarding collection of penalty of 24%, MESCOM has said that this is being done as per the directives of the Commission. Further, it has stated that it is not feasible to provide concession to solar lighting system.
- vi) Regarding pass book, MESCOM has said that action has been taken to provide pass books and the Company is trying its best to improve the quality of power supply.

#### **Kanara Chamber of Commerce and Industry, Mangalore**

The above Organisation has raised the following objections:

- i) They have said that MESCOM has proposed increase for 15 categories out of 18. It has revealed a bias by keeping out 3 categories out of the price increase.
- ii) They have said that MESCOM is making huge profits under certain categories while in others it is making losses. This is a clear cross subsidy given by MESCOM for doing which it has no authority.
- iii) They have said that MESCOM has made a claim that for the year 2005-06, the average cost of supply per unit will be Rs.3.88. The basis for arriving at this figure has not been given. They have said that MESCOM should not make any loss in the supply of power.
- iv) They have said that wholesale rates should be less than retail rates.
- v) They have said that the profit made by MESCOM works out to Rs.48.61% of the cost of energy. The nearby States such as Kerala gives power to Small Scale Industries at a much cheaper rate.
- vi) They have asked the Hon.Commission to fix time frame for MESCOM for energy audit and energy accounting, eliminating cross subsidy, compulsory metering, failure rate of distribution of transformer etc.



- vii) They have asked Hon.Commission to abolish fixed charges which was introduced 30 years back when there were no takers for the power. This should be discontinued in keeping with Section 61(d) of the Electricity Act 2003 for safeguarding the consumers interest.

### **MESCOM RESPONSE**

- i) With regard to non-inclusion of certain categories of consumers, MESCOM has said that in view of the difficulties experienced by the farmers and consumers below poverty line, no increase is proposed for IP set categories and consumers whose monthly consumption of electricity is less than 30 units.
- ii) Regarding adherence to the commercial principles while filing ERC, MESCOM has replied that the details of average cost have been furnished in the ERC filings. Tariff for consumers paying below the cost of supply needs to be increased progressively and till such time cross subsidization is inevitable. Further, MESCOM being a fully Government owned Company will have to cater to the socially weaker section of the society also.
- iii) Regarding the classification of method adopted for billing, MESCOM has said that it has maintained the classification and methodology as was finalized in the tariff orders 2002 & 2003 after detailed deliberations.
- iv) Regarding compliance of the directives of the Commission, MESCOM has said that the implementation of the directives is a continuous process and requires cooperation from the public.
- v) Regarding the suggestion for discontinuation of fixed charges, MESCOM has said that fixed charges are being levied to cover the infrastructure maintenance charges, even in case of no consumption. Regarding hike in energy charges and rate of inflation, MESCOM has said that the proposed tariff hike is made after a lapse of more than one & half years and is commensurate with the increase in cost of supply.

### **Jana Jagruthi, Koppa, Chickmagalur District**

The above organization has raised the following objections.

- i) The power supply in rural areas is poor and there is load shedding for 6 hours in a day.
- ii) There is a need for 33 KV line from Koppa to Mutthinakoppa.
- iii) There is no system of acknowledging complaints in the Koppa sub division. Also there is no Soujanya counter.

- iv) Even after filing a complaint to the consumer forum about power supply, there is no improvement. Though the consumer forum has asked MESCOM to pay Rs.50.00 the same has not been implemented.
- v) MESCOM is not taking action against unauthorized connections. The BJ/KJ installations are to be metered immediately.

### **MESCOM RESPONSE**

- i) MESCOM has replied that as per the directives of the Government, power supply is being provided for 6 to 9 hours in three phase. However, power shut down is inevitable.
- ii) Regarding the Koppa-Mutthinakoppa 33 KV line, MESCOM has replied that there is some objections from the Forest Department. Action is being taken to sort out this issue.
- iii) Regarding acknowledging consumer complaint, action will be taken.
- iv) In places where there are no soujanya counters, the revenue officials of the sub division will attend to the consumer grievances.
- v) Regarding the voltage problem in the Nethajinagar layout, a TC has been installed recently and there will be no such voltage problem in the future.
- vi) Regarding unauthorized use of power, MESCOM is taking all steps to stop such misuse. MESCOM has already taken action to install meters for BJ/KJ installations.

### **Shri GNANENDRA, MLA, Theerthahalli**

The Hon'ble MLA was present in the public hearing at Mangalore and raised the following points:

- i) There is a racket in the repairs of distribution transformers in MESCOM. The repaired transformer in many cases has failed within a week. An inquiry has to be conducted into the matter.
- ii) MESCOM has to take action to reduce the distribution loss.
- iii) Inefficient officers/officials of MESCOM are to be suspended or removed from service.
- iv) The consumer should not be penalized in the matter of tariff revision for the inefficiency of MESCOM.

- v) The officials of MESCOM are corrupt and inefficient.
- vi) Due to good monsoon, all the hydel dams are full and hence the tariff is to be reduced by 20%.
- vii) Though the Central Government has allocated 300 crores for MESCOM under APDRP, MESCOM has spent only 95 crores.
- viii) As there is concentration of load in Bangalore City, power is to be generated near Bangalore so that loss is reduced.
- ix) Coal supplied to RTPS by Singareni Collieries is of poor quality. As a result, there is a shortfall in generation by 757.11 mu resulting in a financial loss of Rs.13.44 crores.
- x) In MESCOM, only higher cadre posts are filled up and vacancies at the lower cadres are not filled up as a result day-to-day works are affected.
- xi) Number of accidents in MESCOM are increasing.
- xii) The spans of LT lines in rural areas are very loose and they are within the reach of people.
- xiii) The classification of IP sets is unscientific and it is to be rectified.

Since the above points were raised by the Hon'ble MLA during the hearing and since no written submissions were made prior to the date of hearing, MESCOM will furnish their rejoinder in respect of the points raised separately.