Annexe-4

PROCEEDINGS OF THE 13TH MEETING OF COMMISSION ADVISORY COMMITTEE HELD ON 16TH SEPTEMBER 2005

List of Members present, Members absent (with Notice/leave of absence) and Members absent (without notice) are as given in the Annexe.

The Chairman welcomed the Members to the meeting.

13.1 Minutes of the 12th Advisory Committee Meeting were confirmed.

13.2.1. Chairman KERC informed that this meeting has been convened specifically to discuss matters relating to the ERC filing for FY 06 and Tariff Petitions made by KPTCL and ESCOMs. Chairman requested MDs of ESCOMs to brief the Members on various aspects of the filings made by them, for the benefit of the Members

13.2.2. MD GESCOM informed that as per their filing, against an ARR of Rs. 1443.70 crores for FY 06, the revenue projection as per the existing tariff was Rs. 754.49 crores, which would result in a deficit of Rs. 689.21 crores. After accounting for the subsidy receivables from the GoK to the tune of Rs. 605.47 crores, there will be a gap of Rs. 83.74 crores, which the GESCOM proposes to fill up by an average tariff increase of 11.12%.

13.2.3. TD HESCOM informed that as per their filing, against an ARR of Rs. 2044.67 crores for FY 06, the revenue projection with the existing tariff is Rs. 1016.56 crores, which would result in a deficit of Rs. 1028.11 crores. After accounting for the subsidy receivables from the GoK to the tune of Rs. 917.82 crores there will be a gap of Rs. 110.29 crores, which the HESCOM proposes to fill up by an average tariff increase of 11.38%.

13.2.4. In respect of BESCOM as per their filing, against an ARR of Rs. 4648.63 crores for FY 06, the revenue projection with the existing tariff is Rs. 4188.03 crores, which would result in a deficit of Rs. 460.60 crores (No subsidy allocation has been made to BESCOM). BESCOM proposes to fill this gap by an average tariff increase of 11.04%

13.2.5. MD CESCO briefed about the details of filing made by MESCOM (combined MESCOM+CESCO) on behalf of MD MESCOM. He informed that as per their filing, against an ARR of Rs. 1925.17 crores for FY 06, the revenue projection with the existing tariff is Rs. 1540.66 crores, which would result in a deficit of Rs. 384.51 crores. After Subsidy allocation of Rs. 203.02 crores, the revenue gap is Rs. 181.49 crores. MESCOM proposes to fill this gap by an average tariff increase of 12%.

13.2.6. The Chairman KERC requested the Members to express their views on the ERC filings and tariff application made by the ESCOMs. Sri Prabhakar of FKCCI pointed out that because of the copious monsoon during the year, all the Hydel reservoirs have completely filled up resulting in additional hydel power available over that projected earlier by the KPTCL, which would result in a considerable reduction in the cost of power purchase. He therefore requested the Commission that this should be factored in while arriving at the total gap of ESCOMs. Sri Chandrashekar, Member also requested to consider changed hydro-thermal mix. The Chairman assured that revised power purchase cost based on the actuals up to end of August 2005 and projections for the balance period has already been obtained from KPTCL and as per the revised projections of KPTCL the power purchase cost will come down by about Rs. 736 crores, which will be factored into by the Commission in calculating the net gap. Sri Prabhakar further requested that even if the Commission decides to increase the tariff, the Commission should desist from increasing the tariff in respect of HT 2a and LT 5 category of consumers as the industrial consumers are already cross subsidizing by more than 30%.

13.2.7. Sri Prabhakar further expressed that the manufacturing sector, which is already migrating from Karnataka to the neighboring states due to the high burden of electricity charges, will completely fade away from Karnataka if they are burdened further.

13.2.8. Sri Prabhakar also expressed that as Karnataka is blessed with a bounteous monsoon this year, the ESCOMs will have to lower the energy requirement projections in respect of IP sets since usage of IP sets by the farmers will be drastically reduced. ESCOMs however expressed that due to the satisfactory monsoon many dry wells, which were defunct, will get recharged and hence the consumption of IP sets will actually increase rather than decreasing. This opinion was also supported by Sri Venkata Giri Rao who stated that two bore wells in his plantation which had gone dry in the last two years have now been recharged due to the heavy monsoon in the past three months.

13.2.9. Sri Prabhakar also expressed that there appears to be variation between the input figure of KPTCL at interface point of ESCOMs in FY05 and those adopted by the ESCOMs in their ERC. KPTCL stated that there are no differences since joint readings are being taken at all interface points between KPTCL and ESCOMs and energy accounts are being reconciled regularly.

13.2.10. MD KPTCL expressed that as the Commission has been disallowing additional fixed charges of Tanir Bhavi Power Co, and the interest on power purchase dues in the Tariff, KPTCL/ESCOMs are in serious financial position since these expenditures are actually being incurred by them and hence requested the Commission to allow the same in the tariff. The Chairman stated that since dispute in respect of fixed charges of Tanirbavi company was raised by KPTCL itself, the Commission has not allowed these charges for pass through in the tariff for the reasons explained in the tariff orders. Since KPTCL has questioned the disallowances made by the Commission in the tariff orders in the Hon'ble High court of Karnataka, the question of review of its decisions at this stage would not arise.

13.2.11. The MD/KPTCL also stated that since tariff revision has not taken place in the last two years, and further that large amount of subsidy is due from government KPTCL/ESCOMs are in a critical financial position and requested the Commission to allow the tariff revision as sought by them. The Chairman pointed out that KPTCL/ESCOMs did not file their ERC/Tariff applications in time in FY05 and FY06 for the reasons best known to them.

13.2.12. The Chairman also expressed that the ESCOMs should be allowed to manage their affairs independently. MD KPTCL however expressed that there has been absolutely no interference from KPTCL and the ESCOMs have been given complete freedom to manage their affairs independently including making purchases.

13.2.13. The Chairman desired suggestions from the Members as to how the rampant theft of electricity especially from the unauthorized IP connections in the rural areas which is causing a havoc in the distribution system of the ESCOMs due to overload etc are to be prevented. Sri Sathya Prem Kumar, Member, felt that it was due to the inordinate delay in giving connection to the legitimate IP applicants by the ESCOMs that has led to such unauthorized connections, as the farmers cannot wait indefinitely after sinking a bore well, which involves huge expenditure for the farmer. He further felt that instead of Government fixing annual targets for servicing IP sets, every applicant should be given service without limitation, which would definitely curb unauthorized connections. If even after making such liberal move if un-authorized IP connections are found they should be dealt with mercilessly.

13.2.14. The Chairman also stated that the Commission is contemplating deletion of flat rate tariff for IP sets in the ensuing Tariff Order since as per the provisions of the Electricity Act 2003, no installation can be supplied electricity without a correct meter. So it will then be the responsibility of the ESCOMs as to how they will collect the charges from the IP set installations for which meters have not been provided.

13.2.15. The Chairman also pointed out that as per the provisions of the Electricity Act 2003 the GoK has to pay the subsidies payable to the ESCOMs in advance and in case the GoK fails to do so, the ESCOMs are entitled to charge the normal tariff for the consumers under the subsidized categories.

13.2.16. Sri Govindappa felt that the expenditure on account of the overheads such as employee cost, A&G expenses etc appeared to have been increased disproportionately as compared to the increase in energy sales. He further added that against an increase of about 15% in sales, the overheads have increased by more than 35%. He requested the Commission to look into these aspects while finalizing the Tariff Order. Sri Prabhakar further pointed out that there is increase of more than 30% in expenses, excluding power purchase cost, between FY03 filing and FY06 filing when KPTCL & ESCOMs are considered together, which is abnormal and requested the Commission to look into this aspect.

13.2.17. MD KPTCL requested the Commission to allow the ESCOMs to grant incentives to consumers who make prompt payment especially those in the rural sector and in particular the IP consumers as such measures would motivate the consumers to make prompt payments. The Chairman welcomed the suggestion and stated that ESCOMs can send suitable proposals for the approval of the Commission.

13.2.18. On the discussion paper on 'Differential Tariff" issued by the Commission, the Committee noted that KPTCL, ESCOMs, FKCCI and others in general have favored continuation of a uniform tariff across the state for the present.

13.2.19. The Chairman sought the opinion of the Members regarding suggestion to levy higher tariffs to consumers in cities like Bangalore and other major cities such as Mysore, Mangalore, Belgaum, Hubli-Dharwad etc as they are enjoying better quality supply compared to the consumers in other parts of the State. Members felt that the suggestion is worth trying and that it could be first tried on a pilot basis in Bangalore City and subsequently could be extended to other cities. Sri Chandrashekhar felt that this could be made applicable to domestic consumers only and not to other categories such as industrial or commercial consumers as they are already being overcharged.

13.2.20. The Chairman while concluding the meeting thanked all the Members for their active participation and valuable suggestions, which, he assured, would be considered while finalizing the Tariff Order.