CESC

Preliminary Observations on the Applications filed by the CESC for approval of APR for FY18, ARR for FY20 to FY22 & Retail Supply Tariff for FY20 under MYT Framework

1. **Observations on Sales:**

A. Sales- Other than IP sets:

I. Annual Performance Review for FY18

The Commission in its Tariff Order,2017, dated 11.04.2017 had approved total sales to various consumer categories at 5861.48 MU, as against the CESC proposal of 6506.22 MU. The actual sales of CESC as per the current APR filing [D-2 FORMAT] is 5793.18 MU, indicating a decrease in sales to the extent of 68.30 MU with respect to the approved sales. There is an increase in sales of 116.64 MU in LT-categories and decrease in sales of 184.94 MU in HT-categories. It is noted that, as against approved sales of 3368.54 MUs to categories other than BJ/KJ and IP sets, the actual sales achieved by CESC is 3160.80 MU, resulting in the reduction of sales to these categories by 207.74 MU. Further, CESC has sold 2632.38 MU to BJ/KJ and IP category as against approved sales of 2492.94 MU resulting in increased sales to these categories by 139.44 MU.

The category-wise sales approved by Commission and the actuals for FY 18 are indicated in the table below:

Energy in MU

Category	Approved	Actuals	Difference -MU
LT-2a*	1030.81	993.91	-36.90
LT-2b	9.73	9.62	-0.11
LT-3	297.00	289.24	-7.76
LT-4b	0.80	0.73	-0.07
LT-4c	14.84	19.87	5.03
LT-5	143.77	140.6	-3.17
LT-6	216.56	236.83	20.27
LT-6	111.53	111.2	-0.33
LT-7	15.82	16.07	0.25
HT-1	463.65	422.09	-41.56
HT-2a	776.95	669.15	-107.80
HT-2b	126.28	121.53	-4.75
HT-2c	65.27	49.85	-15.42
HT-3a & b	84.51	73.26	-11.25

HT-4	5.93	3.6	-2.33
HT-5	5.08	3.25	-1.83
Sub total	3368.54	3160.80	-207.74
BJ/KJ	106.17	92.23	-13.94
IP	2386.77	2540.15	153.38
Sub total	2492.94	2632.38	139.44
Grand total	5861.48	5793.18	-68.30

***Including BJ/KJ installations consuming more than 40 units/month**

The Commission notes that the major categories contributing to the reduction in sales are LT-2a(-36.90 MU), HT Industries (107.80 MU), HT Water supply (41.56 MU), HT-2c (15.42 MU) and the categories contributing to increase in sales are IP sets (153.38 MU) and LT-Water supply [20.27 MU].

CESC has attributed the reduction in HT-2a sales to eighteen industries opting for Open Access/wheeling. CESC has also stated that other HT consumers have also opted for OA/wheeling in FY18.

The Commission has noted the above replies of CESC. The observations of the Commission on FY18 sales are as under:

a. The Number of BJ/KJ installations is indicated as 443394 at page-47, whereas at page 39 and in D-2 Format, it is indicated as 495724. CESC shall furnish the reconciled figure.

b. CESC has not furnished any explanation for reduction in HT-1 water supply sales and increase in LT-6 water supply sales. As such CESC may furnish the reasons for the same.

II. Category wise sales for the control period-FY20-FY22:

a. CESC in its filing has stated that as per the KERC Load Forecasting Regulations, it has made projections upto 2023-24 and for the current control period the forecast upto 2021-22 would be relevant. It is stated that the estimates are based on CAGR for the period FY 15 to FY 18, CAGR for the period FY 13 to FY 18 and trend analysis of 10-year data (linear & logarithmic trends). Wherever, there is negative growth, CESC has adopted 1% growth rate as a conservative estimate.

It is also stated that comparison has been made with forecast reports of 19th EPS, PRDC report and Feedback Infra report and that the projections as per above reports are not considered, as they are way off the mark. Further, it is submitted that based on half-year data, the FY19 estimates have been revised.

The observations of the Commission on sales forecast for the control period are as follows:

a. Even though, the CESC has made projections upto FY24, the Commission in the current proceedings has confined its observations to the Control period FY20-FY22 and observations are made accordingly.

b. It is observed that CESC has estimated the sales for second half of FY19, by applying CAGR, which is not correct, as CAGR is annual growth rate, CESC should have computed the same considering the growth rate during the second half of the year of FY18 over FY17 or should have computed the same on prorata basis.

c. The reduction in sales in some of the categories like LT-2a,2b etc., during first half of FY18 over first half of FY17 is attributed to heavy rains, which is not justified by any facts and figures.

d. LT (1) – BJ/KJ category:

It is observed that even though the number of installations has been retained at FY19 level at 493733, **the quantum of sales has been increased every year during the control period. Hence, CESC shall clarify the increase in sales without corresponding increase in the number of installations.**

Further, break up of installations consuming less than or equal to 40 units/month and those consuming more than 40 units/ month for the control period **FY20- FY22, shall be furnished** in the following format:

Particulars	No. of Installations	Consumption in MU
Installations Consuming upto 40 Units		
Installations consuming more than 40 units and build under LT 2a		

e. The table indicating the growth rates for the no. of installations is furnished below:

Category	Percentage Growth Rates			
	2012-13 to 2017-18 CAGR	**2014-15 to 2017-18 CAGR**	**FY18 growth over FY17**	**Growth rate proposed by CESC for control period**
LT-2a	4.06	4.03	3.11	4.03
LT-2b	5.00	5.04	2.39	5.06
LT-3	6.04	6.25	4.73	6.25
LT-5	5.04	5.35	3.81	5.34
LT-6 WS	9.34	7.56	8.76	7.56
LT-6 SL	3.44	4.30	4.20	4.30
HT-1	12.81	8.77	18.40	8.33
HT-2 (a)	5.05	6.66	9.70	5.08
HT-2 (b)	4.87	7.28	7.77	4.86
HT-2 (c)	-	14.40	8.02	8.04
HT-3(a)& (b)	4.45	5.21	2.22	4.95
HT-4	-21.28	-8.55	8.33	6.67

It is noted that the growth rate considered HT-1 is on the lower side and for HT-4, it is higher, when compared to the CAGR. CESC may consider revising the figures for this categories.

f. The table indicating the growth rates for the energy sales is furnished below:

Category	Percentage Growth Rates			
	2012-13 to 2017-18 CAGR	**2014-15 to 2017-18 CAGR**	**FY18 growth over FY17**	**Growth rate proposed by CESC for control period**
LT-2a	5.88	4.39	2.27	5.88
LT-2b	10.73	10.09	7.25	10.74
LT-3	6.65	5.56	5.39	5.56
LT-5	1.37	0.44	0.01	1.36
LT-6 WS	10.31	18.88	7.54	18.87
LT-6 SL	7.65	7.15	7.43	7.65
HT-1	5.70	0.65	0.92	0.65
HT-2 (a)	-2.53	-3.48	5.42	1.00
HT-2 (b)	2.20	3.87	3.66	3.86
HT-2(c)	-	10.82	3.70	10.83
HT-3(a)& (b)	24.16	13.22	10.97	13.23
HT-4	-15.51	-14.80	-3.49	0.93

g. The sales growth rate considered for LT-6 WS is higher, keeping in view the growth rate of installations of 7.56% proposed by CESC. CESC may consider revising the sales.

h. The Commission notes that even though the CAGR and previous year growth rate is negative, CESC has considered a positive growth rate for sales to HT-2a and HT-4 categories, stating that it has considered a conservative growth rate of 1%. The Commission has noted the reply furnished by CESC.

i. For HT2(a) category, the sales estimate based on the analysis of open access impact shall be considered. CESC should have computed the growth rates considering the total energy sold to this category including OA/wheeling and should have estimated the sales considering the ratio of energy sold by CESC in FY18 to the total sales of FY18 including OA/wheeling sales. CESC may compute HT-2a sales on the above method and furnish the data.

j. Others: CESC has indicated auxiliary consumption of KPCL in D-2 format as sales from FY 18 onwards, which was not being indicated in sales earlier. CESC shall furnish the reasons for the same.

B. Sales to IP sets for FY18:

a) The Commission notes that, the overall sales have increased by 153.38 MU (6.43%)as against the approved sales of 2,386.77 MU as per the Tariff Order dated 11th April 2017, for the FY18. **The CESC shall explain the reasons for increase of 6.43% in sales to IP sets for the FY18**.

b) Further, the Commission had approved a specific consumption of 6,461 units / installation / annum for the FY18. As per the consumption reported in the Tariff application, the specific consumption works out to 7,075 units / installation / annum for the FY18. This indicates an increase of 614 units /

installation / annum (9.5%) in the specific consumption for the FY18. The CESC shall submit the clarification in increase of total sales to IP sets and also the specific consumption for FY18.

c) The actual number of installations for the FY18 has decreased by 10,381 to the approved number of installations of 3,69,402. **The CESC should explain and justify with valid reasons as to why the sales have increased despite the reduction in number of installations 10,381 in the FY18**.

d) In page number 41 of the CESC APR for FY18, it has been submitted that of the 4,11,157 number of IP sets for which the GPS survey is completed, 4,427 (3675 + 752) number of IP sets have been declared as not-in-use / dried up installations. The CESC should clarify as to why the number of IP installations surveyed is not taken for calculation of actual assessment and whether the not-in-use / dried up installations are considered while submitting the actual assessment for the FY18 (from April, 2017 to March, 2018). **If the dried up installations have not been deducted, the CESC shall submit the revised consumption based on the number of installations to be revised for the FY18, taking into account the GPS survey data** or else furnish the rationale in submitting the IP assessment for FY18.

e) The Commission in its Tariff Order dated 14th May, 2018 had directed the CESC to furnish feeder-wise IP-set consumption based on feeder energy meter data to the Commission, every month in respect of agricultural feeders segregated under NJY. The CESC has not submitted the consumption data for FY18 and FY19 till September 2018. CESC shall submit the IP sets consumption for the FY18 as per the energy recorded on the segregated feeders clearly indicating the energy input to the feeders on the basis of energy meters reading data **(initial reading-final reading* multiplying constant) by providing the data month-wise in order to consider its IP sales**.

f) The **CESC shall furnish month-wise data in support of its claims of IP-consumption for the FY18 duly considering the above issues, as per the format given in the subsequent paras**.

C. Validation of Sales for the control Period:

1. To validate the sales, category wise information in the following format shall be furnished:

a. No. of Installations:

	2016-17 Actuals		2017-18 Actuals		2018-19	
Category	**As on 30th Nov 2016**	**As on 31st March 2017**	**As on 30th Nov 2017**	**As on 31st March 2018**	**As on 30th Nov 2018**	**As on 31st March 2019 (Estimate)**
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6						
LT-6						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)& (b)						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP)						
BJ/KJ<=40units						
BJ/kJ > 40 units/month.						
LT4 (a) IP sets-						
Sub Total (BJ/KJ and IP)						
Grand Total						

b. Energy Sales

	2016-17 Actuals		2017-18 Actuals		2018-19	
Category	**1st April 2016 to 30th Nov 2016 (cumulative)**	**1st Dec 2016 to 31st March 2017 (cumulative)**	**1st April 2017 to 30th Nov 2017 (cumulative)**	**1st Dec 2017 to 31st March 2018 (cumulative)**	**1st April 2017 to 30th Nov 2018 (cumulative actuals)**	**1st Dec 2018 to 31st March 2019 (cumulative Estimate)**
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6						
LT-6						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)& (b)						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP)						
BJ/KJ<=40units/month						
BJ/kJ > 40 units/month						
IP sets LT 4a						
Sub Total (BJ/KJ and IP)						
Grand Total						

2. **Sales to IP Sets for the FY20, FY21, FY22**:

a) The Commission in its Tariff Order dated 14th May, 2018 had directed the CESC to furnish the consumption of IP-sets based on the readings from the meters provided to 11 kV feeders at the sub-station level duly allowing for 11 kV and LT distribution system losses. The CESC has not submitted the consumption data for FY19 till September, 2018 towards the claims submitted towards the IP assessment for FY19 and projections for FY20 to FY22.

b) Therefore, the CESC shall submit the month – wise consumption of all the agricultural feeders segregated under NJY Scheme for the FY18 and also for the FY19 (from April to September 2018) in the following format, **clearly indicating the energy input to the feeders on the basis of energy meters reading data (initial reading-final reading* multiplying constant).**

Month	Name of Sub-division	Name of. Segregated Agriculture Feeders in the subdivision	Initial energy meter reading in the feeder	Final energy meter reading in the feeder	Meter constant	Monthly Consumption in MU as recorded in all the agricultural feeders at the substations pertaining to the Sub division	Distribution loss(11kV line, DTCs,& LT line) Plus sales to other consumers if any, in MU (losses in all the agri. feeders only to be considered)	Net consumption duly deducting the Distribution loss (11kV & LT) & any other loads if any	No. of IP sets (total-dried up) connected to the agri. feeders in the subdivision			Average consumption of IP / month (specific cons in units /IP/month)	Total no of IP sets in the subdivision (as per DCB)			Total sales of IP sets in MU
									Beginning of the month	Serviced at the end of month	Mid- month		Beginning of the month	Serviced at the end of month	Mid- month	
1	2	3	3a	3b	3c	4 =(3b-3a) *3c	5	6=(4-5)	7a	7b	7c= (7a+7b)/2	8=6/7c	9a	9b	9c=(9a+9 b)/2	10=8 *9c
April 2017 To Mar-18	Subdiv -1 Subdiv -2 Subdiv -3 Subdiv ….															
Total																
April 2018 To Sept-18	Subdiv -1 Subdiv -2 Subdiv -3 Subdiv.															

2. Power Purchases:

(a) Observations on Power purchase- APR for FY18:

i. The details of station-wise / Source-wise power purchased quantum & cost in the format as in Annexure-II of Tariff Order 2017, (with the same order and the same contents), shall be furnished.

ii. A separate statement showing the variable cost in the ascending order from different sources of power shall be attached. Any deviation from merit order scheduling should be explained fully.

iii. The PGCIL Charges have increased by around 104%. The reason for such an increase in the charges should be explained with reasons. This has been increasing year after year which is resulting in huge burden on the end consumers. Whether, CESC Mysore has taken any initiative to address this issue of abnormal increase in the PGCIL POC charges, may be informed to the Commission.

iv. The CESC has considered 663.77 MU and Rs. 272.14 Crores as inter-ESCOMs energy charges for Energy balancing, as indicated in D1-Format. The basis for payment of this amount needs to be furnished besides submission of a reconciliation statement for the energy balancing among the ESCOMs.

v. In respect of the following Hydro and thermal stations, indicated in the D1 Format, the per unit total cost paid to the generators is on a higher side as compared to the per unit cost paid by the BESCOM. The CESC shall examine the same and recover excess payments, if any, from the generators, under intimation to the Commission, while explaining the reasons for the difference:

Sl. no	Source	Avg. P.P cost as per CESC (Rs/kWh)	Avg. P.P Cost as per BESCOM (Rs/kWh)	CESC's Avg. P.P. Cost is higher by (Rs/kWh)
	KPCL-Hydel			
1	Sharavathi	0.52	0.42	0.10
2	Bhadra Power house	4.28	3.52	0.76
3	Munirabad	0.99	0.77	0.22
4	Ghataprabha(GDPH)	2.04	1.42	0.62

5	Kadra Dam	2.39	0.95	1.44
6	Kodasalli Dam	1.70	0.72	0.98
7	Gerusoppa/STRP	2.10	0.93	1.17
8	Almatti	1.66	1.36	0.30
	KPCL-Thermal			
1	RTPS 8	4.33	4.26	0.07
2	BTPS-Unit 1	5.27	4.61	0.66
3	BTPS-Unit 2	5.15	5.05	0.10
4	BTPS-Unit 3	6.02	5.51	0.51
5	Yermurus	8.21	7.00	1.21
	CGS			
1	NTPC-Ramagundam 3	3.10	2.75	0.35
2	NTPC-Simhadri Unit-2	4.49	4.25	0.24
3	NTPC-Kudligi 1&2	6.26	5.45	0.81
4	NLC TPS 2-Stage 2	3.65	3.37	0.28
5	NLC TPS 2-Expn	5.85	5.27	0.58
	other			
1	TB Dam	1.21	1.04	0.17

vi. In respect of BTPS Unit-1 to 3, YTPS Unit-1&2, UPCL, NLC II Expansion, NLC Tamilnadu (Tuticorn), NTPC- Kudgi, M/s NTPC Tamilnadu Energy Ltd (Vallur), MAPS, NPCIL – Kaiga, the tariff indicated in the D1 Format is higher than the Commission reckoned tariff for FY18. The CESC Mysore shall furnish the basis thereof.

vii. The power purchase made under Medium Term and payment made towards KSEB needs to be explained.

(b) Observations on Power purchase for FY20 – FY22:

1. CESC has furnished the CAGR projection, to estimate the quantum of energy considered, for the control period FY20 to FY 22. The projection filed for the control period FY20 to FY22 in respect of the quantum of energy is different from the projection made in the perspective plan earlier submitted. The CESC shall furnish the reasons for the modified quantum of energy and also furnish the Generator-wise, Month-wise projections-wise capacity and energy (in terms of MW and in terms of MU). In respect of Renewable Energy (RE), month-wise break up of source-wise capacity and energy may be furnished. This is essential to analyze the month-wise variations of requirement of energy and availability from different sources.

2. CESC shall furnish the basis for considering the FC and the VC for BTPS unit -3, and YTPS.
3. CESC shall furnish the basis and calculation sheet for considering the FC and the VC for UPCL
4. CESC shall furnish the necessary write up for justifying the proposed energy purchase as per D-1 Format.
5. CESC has considered the same amount in respect of PCKL charges payable for FY20-22 for each of the years of the control period. The CESC shall furnish the reasons for considering the same amounts for all the years of the control period, ignoring the likely inflation/ revision of charges during the control period.
6. CESC shall furnish the basis to consider, the increase in the KPTCL transmission charges for every year and increase in the PGCIL charges for the control period FY20 to FY22.
7. CESC shall furnish the capacity and quantum of energy to be procured in respect of new RE projects for which it has executed the PPAs.

3. Capital Expenditure:

a) Capital Expenditure for the FY18:

1) In the Tariff Order 2017, the Commission had approved capex of Rs.552 Crores for CESC Mysore for FY18. Now, the CESC Mysore has indicated a capital expenditure of Rs.535.18 Crores in the table on page No.48, whereas in format D17, the total capital expenditure is shown as Rs. 999.09 Crores. The CESC Mysore shall explain the reasons for the variation in capex figures.

2) It is to be noted here that, the CESC Mysore has exceeded the approved capex in some of the works which include, NJY, R-APDRP, Tools & Plants, Civil Engineering Works. Further, the CESC has not achieved the capex in respect of Extension & Improvement works, IPDS, DDUGJY, Replacement of failed Transformers, Rural Electrification and Providing meters DTC BJ/KJ etc. CESC has incurred capital expenditure for RGGVY and software Development and smart grid project, which

were not included in the Capex. It shows that CESC is not planning its capex as per the Capital Expenditure Guidelines. It is necessary for CESC Mysore to take up works which are approved by the Commission and which are essential and same shall be completed in time bound manner for effective utilization of the funds.

3) The CESC shall furnish the details of sources of funding (like grants, debt, equity and internal sources) for the capex incurred during the FY18, against each of the category of works.

b) Capital Expenditure for the FY20-22:

In the Tariff Order 2018, the Commission had approved capex of Rs.972.25 Crores for CESC Mysore for FY19 subject to Prudence check during the APR of FY19. Now, the CESC Mysore has indicated a capital expenditure of Rs.105.729 Crores upto September 2018 for FY19 in the table on page No.113 and 114, whereas in Format D-17, the total capital expenditure is shown as Rs. 1,243.89 Crores. The CESC Mysore shall explain the reasons for the difference in capex figures and confirm the correct status of capex incurred for FY19.

CESC Mysore shall provide necessary justification on each of the works in terms of its purpose, requirement, physical progress, cost and timelines of completion along with the no. of works to be taken up in each of the years for FY19 and for FY20 to FY22.

4. RPO Compliance

CESC furnishing the details of RPO compliance for FY-18, has stated that it has met both solar and non-solar RPO.

The observations of the Commission on RPO are as under:

1. The solar energy purchased from NTPC for FY-18 is indicated as 48.30 MU at pg-54 and in D-1 format, the NTPC solar energy is indicated as 13.86 MU. CESC shall reconcile the figures and furnish the final data.

2. Similarly, in case of Non-solar, the total non-solar energy under PPA is indicated as 533.33 MU, whereas as per D-1 format it is 427.83 MU. CESC shall reconcile the figures and furnish the final data.

3. For validating the RPO compliance and to work out APPC, CESC shall furnish the data as per the format indicated below, duly reconciling the data with audited accounts:

a. **Non-solar RPO:**

No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase quantum from all sources Excluding Hydro energy		
2	Non–solar Renewable energy purchased under PPA route at Generic tariff including Non-solar RE purchased from KPCL		
3	Non –solar Short-Term purchase from RE sources, excluding sec-11 purchase		
4	Non –solar Short-Term purchase from RE sources under sec-11		
5	Non-solar RE purchased at APPC		
6	Non-solar RE pertaining to green energy sold to consumers under green tariff		
7	Non-solar RE purchased from other ESCOMs		
8	Non-solar RE sold to other ESCOMs		
9	Non-solar RE purchased from any other source like banked energy purchased at 85% of Generic tariff		
10	Total Non-Solar RE Energy Purchased [No 2+ No.3+No.4+No.5 +No.7+No.9]		
11	Non-Solar RE accounted for the purpose of RPO [No.10- No.5-No.6-No.8]		
12	Non-solar RPO complied in % [No11/No1]*100		

b. **Solar RPO:**

No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase quantum from all sources excluding Hydro energy		
2	Solar energy purchased under PPA route at Generic tariff including solar energy purchased from KPCL		
3	Solar energy purchased under Short-Term, excluding sec-11 purchase		
4	Solar Short-Term purchase from RE under sec-11		
5	Solar energy purchased under APPC		
6	Solar energy pertaining to green energy sold to consumers under green tariff		
7	Solar energy purchased from other ESCOMs		
8	Solar energy sold to other ESCOMs		
9	Solar energy purchased from NTPC (or others) as bundled power		

10	Solar energy purchased from any other source like banked energy purchased at 85% of Generic tariff		
11	Total Solar Energy Purchased [No2+ No.3+No.4+No.5+No.7+No.9+No.10]		
12	Solar energy accounted for the purpose of RPO [No.11- No.5-No.6-No.8]		
13	Solar RPO complied in % [No12/No.1]*100		

4. CESC shall furnish the estimates for complying with solar and non-solar RPO for FY 2018-19 to FY2021-22, including any cost implication for purchasing RECs, if any.

5. Wheeling charges:

a. Consequent to issue of the Order dated 14.05.2018, the para referring to the earlier Order dated 04.07.2014 on W& B charges shall be deleted.

b. CESC has proposed wheeling charges of 34.40 paise/unit and 80.26 paise/unit respectively for HT network and LT network. Further it is stated that proposed technical loses of 3.92% at HT level and 7.25% at LT level are applicable.

c. **CESC shall clarify as to whether the above wheeling charges are proposed to RE sources also. If not, CESC's proposal in the matter may be submitted.**

6. Cross Subsidy Surcharge:

CESC has stated that it has worked out the CSS as per the formula specified in the KERC (Terms and conditions for OA) (First Amendment) Regulations,2006 and has proposed the following CSS:

Paise/unit

Voltage level	HT-2a	HT-2b	HT- 2c	HT-4	HT-5
66kV & above	71.03	160.71	202.57	181.28	132.15
HT-11kV &33 kV	-	160.71	202.57	181.28	46.73

The Commission in its Regulations has adopted the surcharge formula as per Tariff Policy,2016. As such CESC shall compute the CSS as per Tariff Policy-2016 and indicate the CSS, HT-sub category-wise.

7. Observations on Losses, expenses & Revenue for APR FY 18 & ARR for FY 20-22:

1. **Distribution Loss:** CESC in its application, as per the audited accounts for FY18, has reported the actual distribution loss of 13.20% as against 13.00% approved by the Commission, in its Tariff Order dated 11th April 2017, which is higher than the approved loss by 0.20% percentage point Considering the achievement made by the CESC in reduction of distribution losses during the previous years and the amount of capital expenditure incurred in the recent past, and also during the financial year, the efforts made by the CESC in reduction of the distribution loss for FY18 is not satisfactory. CESC shall furnish the reasons for not achieving the distribution loss levels as per the targets approved by the Commission, besides furnishing the division-wise distribution loss levels for FY18. MESCOM shall also furnish the status of distribution loss achieved in the FY19 as at the end of November, 2018.

   Further, CESC has projected the distribution losses of 12.70%,12.65% and 12.60% for FY20-22. The Commission notes that the projected losses by CESC is very insignificant, with the mere reduction of 0.05 to 0.10 percentage points, even with the proposed substantial investment in Capex to tune of Rs.761.92 Crores, Rs.835.60 Crores and Rs. 812.25 Crores for FY20-22 respectively, This is very significant. The CESC may reconsider the projected reduction in distribution losses for FY20-22.

2. **Pay Revision Arrears**: CESC in its APR filing, has claimed an amount of Rs.315.41 Crores and Rs.415.70 Crores as employee cost for FY17 and FY18. The CESC, in its audited account for FY18 under note 29.6.6 has informed that the pay scale revision to its employees has been given effect to. The CESC shall furnish the actual amount of pay revision arrears paid to the employees for the period from 01.04.2017 to 31.03.2018 and included in the audited account for FY18.

3. **Terminal Benefits**: CESC its filings of APR for FY18 and ARR for FY20-22 has claimed Rs.68.54 Crores, Rs.75.19 Crores, Rs.82.50 Crores, Rs.90.75 Crores and Rs.99.39 Crores respectively towards terminal benefits under employee cost. The CESC shall furnish the computation sheet for the same along with the relevant Actuarial Valuation Report.

4. **Capex for Civil Engineering Works**: MESCOM in its ARR filings for FY18 has claimed Rs.17.36 Cores as against an approved amount of Rs.5 Crores towards the capital expenditure on civil Engineering works. The CESC shall furnish the break up details for the same. Further, CESC also projected Rs.10 Crores for FY 19 Crores, Rs.12 Crores, Rs.13 Crores, and Rs.14 Crores towards civil engineering works for FY 20 to FY 22 respectively. CESC shall furnish the details of the works proposed under the head for FY19 to FY22.

5. **Regularization of un-authorized IP sets**: CESC in its application for approval of APR for FY18, has claimed Rs.19.62 Crores as against Rs.34 Crores approved by the Commission as the capital expenditure incurred for regularisation of un-authorized IP set (UNIP) installations for FY18. Further, CESC has not proposed any amount of capital expenditure for regularisation of UNIP installation for FY20-22. CESC shall furnish the Division wise details of number of unauthorized IP sets existing, regularized during FY18 and the balance of UNIP installation yet to be regularized as at the end of the March, 2018. If there is any balance work, CESC shall furnish the division-wise action plan for regularization of UNIP installations with both number of UNIP installations and the amount of capex required and accordingly revise and submit the Capex programme for FY19-22.

6. **Details of Long-term and Short-term Loans:** CESC shall furnish the Bank / Financial Institution-wise details in the D9 format **for long term and short term loan separately** for FY18 and the actuals up to November,2018 and the projections for the remaining period of FY19 and the projection for FY20 to FY22. The details include the opening balance, receipt, repayment, term of loan, rate of interest, purpose of loan, interest amount and the closing balance of loans.

7. Interest **on consumer Deposit**: CESC shall furnish the computation sheet for having claimed the interest on consumer deposit for FY18 to FY22.

8. **Computation of O & M expenses**: CESC has not furnished the computation sheet as per MYT norms for having claimed the O&M expenses for the FY18 to **FY22. CESC shall furnish the same.**

9. **Equity Infusion**: CESC shall furnish the amount of equity infused by the GoK through various Government Orders and the actual date of receipt during FY 18 and upto November, 2018 during FY 19.

10. **Details of consumer education Fund**: CESC shall furnish the break up details for having incurred the expenditure towards consumer's relation/education during FY18 and up to November, 2019 during FY19.

11. **Subsidy claims**: CESC shall furnish the details of subsidy claims submitted to the GoK and the subsidy received in respect of IP and BJ/KJ installations along with energy sales during FY18. CESC shall also furnish the details of subsidy pertaining to the past period received from the GoK during FY18 separately.

12. **Modification to the Special Incentive Scheme (SIS)**: The CESC in its filing of ARR for FY20-22, has proposed certain modifications to the Special Incentive Scheme (SIS) approved by the Commission in its Tariff Order 2018 dated 14.05.2018. CESC has not furnished the details about the financial losses incurred in implementation of the Scheme. The CESC shall analyze and submit the report by computing the financial effect of the scheme from the date of its implementation by comparison of the monthly bills (with both demand and energy charges), with and without the application of SIS benefits for all the installations which have opted for the SIS.

13. **Details of Gross Fixed Assets**: The details of Gross Fixed Assets and the Net Fixed Assets filed by the CESC in its APR for FY18 under D15 format and D16 Format does not talley with the figures as per the audited accounts submitted for FY18. CESC shall submit the revised D15 and D16 Format by considering the audited accounts figures for FY18, besides recasting the same for FY19-FY22.

14. **Submission of AG Audited Accounts**: The CESC shall furnish the C.A.G.s audited accounts for FY 18.

8. Additional Surcharge:

The Commission, in its Order dated 14th May, 2018 had approved recovery of additional surcharge from the OA consumers for FY19 based on the actuals for

FY17. Order to continue the recovery of additional surcharge, the CESC shall furnish the details of computation of Additional Surcharge as per Annexure enclosed to these observations in Table-1 to Table-3, with reference to the actuals power purchase costs and Revenue realized for FY18 and also as per the estimates for FY20 separately. These details are required to establish the under-recovery of stranded cost in the generation, transmission and distribution activities. The computation of additional surcharge with reference to estimates in the ARR for FY20 is required to demonstrate that the costs continue to be stranded even during the year 2020.

9. Observations on Directives:

Sl No	Directives Issued by the Commission	Observation made
1	Consumer interaction meeting at Subdivision level.	It was directed to conduct consumer interaction meetings at subdivision level chaired by the SEE once in a quarter to redress the consumer complaints. It is observed from the compliance submitted that the CESC has arranged CIM in 2 number of subdivisions in one day. This might have been one of the reason for poor participation of consumers. The CESC should take suitable measures to conduct the CIMs effectively on different dates in each of the subdivisions and invite the consumers in advance so that the purpose of such meetings is well served. The CESC shall furnish compliance on this.
2	Directive on preparation of energy bills on monthly basis by considering 15 minute's time block period	CESC shall furnish the month-wise details of cost involved in respect of the inadvertently banked energy till September 2018.
3	Directive on use of safety gear by linemen	CESC is not submitting the quarterly compliance report to the Commission. From the statistics furnished in tariff filing, 23.85% (1023 Linemen out of 4288) of the linemen staff are not provided with the safety gear. CESC shall submit the compliance and the definite timeline for providing a complete set of safety gear to all the linemen. CESC shall also provide the details of training and awareness programs taken upto train the linemen

Sl No	Directives Issued by the Commission	Observation made
		regarding safety aspects during FY18 and FY19 till September 2018.
4	Directive on providing Timer Switches to Street lights by ESCOMs	As per the data furnished in the tariff filing, 21,323 SL installations are required to be provided with timer switches. CESC has also not submitted the compliance as to whether LED / energy efficient lamps are being used and timer switches are provided while servicing of new streetlight installations. CESC shall submit the compliance on the same.
5	Directive on Load shedding	CESC is not submitting to the Commission, its projections of availability and demand for power and any unavoidable load shedding for every succeeding month in the last week of the preceding month for approval, regularly. CESC shall submit compliance on the same. The CESC in its tariff filing has informed that it is making use of "URJA MITRA" app developed by MoP for the dissemination of SMS on outage information to citizens by field staff. CESC shall submit the details of the number of consumers' covered under this, and the percentage of the consumer's details available in the system to the total no. of consumers.
6	Directive on establishing a 24 X 7 fully equipped centralized consumer service centers	The CESC has not furnished the details of the number of service stations it has established till September 2018, by providing infrastructural requirements at the subdivisions / sections and the balance service stations required to be established in the Subdivisions / Sections for effective monitoring of complaints and the likely time to be taken for establishing such service stations. CESC was directed to reduce the consumer downtime to address the complaints. CESC is directed to report average time taken to attend to a complaint as at present and the efforts made to reduce the downtime further in future.

Sl No	Directives Issued by the Commission	Observation made
		The CESC shall furnish compliance in this regard. Comparison of the downtime analysis for FY17 and FY18 shall be furnished.
7	Directives on Energy Audit	**Energy Audit of cities / towns:** CESC shall furnish details of feeder-wise energy audit month wise up to September 2018. Soft copy of the same shall be submitted for analysis of the reports. CESC shall furnish the comparative statement of losses recorded in Towns & Cities for the FY18 as against the FY17. **DTCs Energy Audit**: CESC was directed to furnish the details of energy audit conducted in respect of DTCs for which meters have been fixed and the remedial measures initiated to reduce losses in those DTCs every month to the Commission regularly. CESC has not submitted the details of energy audit conducted in respect of 57,809 DTCs for which meters have been said to be fixed. It has been reported that the energy audit is conducted only for 8490 (Approximate) DTCs. CESC shall submit the details for not conducting energy audit of all the DTCs for which the meters are fixed along with the time line by which all the remaining DTCs will be metered and audited.
8	Implementation of NJY	The CESC is required to submit the details of number of feeders taken up in DDUGJY scheme (phase 3) and targeted date of commissioning of feeders under phase 3. CESC in the tariff filing, in its compliance to implementation of NJY has informed that the IP consumption is calculated based on the energy recorded in the meters fixed to the segregated IP feeders and submitted the details vide letter number 14124 dated 26.10.2018. CESC was directed to submit the feeder-wise,

Sl No	Directives Issued by the Commission	Observation made
		subdivision-wise details in respect of the IP assessment. Instead, CESC has submitted the subdivision-wise assessment. CESC shall comply by submitting the month wise, feeder wise, subdivision wise assessment of IP consumption for FY18 and FY19 up to September, 2018 for consideration.
9	Directive on Lifeline Supply to (Electrification of) un - electrified Households	CESC Mysore, had informed that 44,114 number of HH needs to be electrified and will be completed by December 2018, in the ESCOMs review meeting held on 16.11.2018. But, in the tariff filing, CESC is informing that only 1424 numbers of HH needs to be electrified which will be completed before March, 2019. CESC shall submit the exact figures clearly mentioning the target date for achieving 100% electrification.
10	Directive on Implementation of Financial Management Framework	CESC has to submit the compliance in respect of implementation of Financial Management Framework, on quarterly basis regularly to the Commission. CESC shall submit the detailed analysis and the result of Financial Management Framework Model introduced in its divisions / subdivisions towards improvement of their performances.
11	Prevention of Electrical Accidents	CESC is required to furnish the action plan for rectification of balance hazardous locations / installations identified in its distribution network. CESC has to furnish the summary of the analysis made on the reports submitted by Electrical Inspectorate for FY19 up to September, 2018, action taken to prevent such accidents in future.

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