

N/77/13

**BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION
BENGALURU**

Dated: 14th January, 2016

PRESENT:

Sri M.K. Shankaralinge Gowda,	Chairman.
Sri H.D. Arun Kumar	Member
Sri D.B. Manival Raju	Member

Complaint No. 12/2013

BETWEEN:

Shri S. Govindappa,
No. 603, 21st Main, 4th 'T' Block
Jayanagar
Bengaluru-560041

-Complainant

AND:

Bangalore Electricity Supply Company Limited,
K.R. Circle
Bengaluru – 560001

- Respondent

ORDERS

1) The Commission had passed an Order on the Complaint No. 12/2013 of Shri S. Govindappa, (hereinafter referred to as 'Complainant') against the BESCO (Respondent) on 14th May, 2015. The relevant portion of the order, on one of the prayers of the Complainant, and the decision of the Commission is produced below:

10) **Prayer-1(c):** *Treating the capital expenditure, incurred by the Respondent- BESCO for procuring and installing the SDTs under the NJY- Scheme, as a wasteful expenditure, and for disallowing such capital expenditure in their Annual Revenue Requirement (ARR).*

Commission's decision: *In regard to this point, we are of the opinion that in the present proceedings, a decision on the lines prayed for by the complainant cannot be taken. However, in due course, the Commission would cause to verify the expenditure incurred in respect of the SDTs, and based on the result of such verification, would take a view on the disallowance or otherwise, of the Capital Expenditure incurred towards the SDTs.*

- 2) Pursuant to the above, the Commission sought the details of the implementation of the Niranthara Jyothi Yojana (NJY) (a scheme for supplying non-agricultural loads in rural areas) using SDTs (Special Designed Transformers). The respondent furnished the details of procurement of the SDTs, costs incurred thereon, problems faced in implementation of the SDT scheme and its inability to use the SDTs.
- 3) After verification of facts and circumstances of the case, the Commission considered that, there is a prima-facie case for disallowance of capital expenditure, as the costs incurred on procurement and installation had not served the purpose. Therefore, the Commission had issued a notice to the respondent on 14th October, 2015 to show cause as to why interest and depreciation on the cost of procurement and installation of the SDTs should not be disallowed.
- 4) The Respondent in its reply to the notice, explaining the facts has stated that, 18 Nos of the SDTs were ordered in first instance and subsequently, orders for procurement of 400 SDTs were placed. The Commission notes that, the order for procurement of the additional 400 SDTs were issued without assessing the performance and utility of 18 numbers of SDTs already procured and installed. It is also informed that, M/s KAVIKA, who have supplied the SDTs did not conduct type test on any of the SDTs as per Respondent's requirement. Since, the specification, design and GTP (Guaranteed Technical Particulars) was drawn by M/s KAVIKA but not validated and type test was not conducted, we feel that, Respondent

should not have gone ahead with procuring of the additional 400 Nos of SDTs. Further, the Respondents statement that, it has discontinued the use of SDTs and resorted to controlling of the feeder loads through overload protection relays, clearly indicates that, the capital investment made on procurement and installation of 400 Nos of the SDTs has not served the purpose of managing non-agricultural loads in rural areas. Thus, the capital investment, thereon has become imprudent.

5) In view of the above findings, we deem it proper to pass the following:

ORDER

- a) The procurement of the 18 SDTs for pilot project by the Respondent shall be considered as an experimental initiative and the corresponding capital expenditure allowed.
- b) The expenditure on procurement and installation of 400 Nos of the SDTs, incurred without assessing the performance and utility of the 18 SDTs installed in the pilot project, is held to be imprudent capital expenditure and therefore the corresponding charge on the costs (interest and depreciation) would be disallowed in the ARR of Respondent for the FY17.

Sd/-

M.K. Shankaralinge Gowda
Chairman

Sd/-

Sri H.D. Arun Kumar
Member

Sd/-

D.B. Manival Raju
Member