

**KARNATAKA ELECTRICITY REGULATORY COMMISSION**  
**No.16 C-1, Miller Tank Bed Area, Vasanthanagara, Bangalore-560052**



**PRESS NOTE**

**REVISION OF ELECTRICITY TARIFF FOR 2020-21**

The Karnataka Electricity Regulatory Commission (KERC) has approved revision of electricity retail supply tariff for all the Electricity Supply Companies (ESCOMs) and Hukeri Rural Electricity Co-operative Society in the State of Karnataka, for the Financial Year 2021 (1<sup>st</sup> April, 2020 to 31<sup>st</sup> March, 2021). **The Commission has approved an average increase in tariff by 40 (forty) paise (considering increase in Demand and energy charges) per unit for FY 2020-21 with an average increase of 5.40%.**

The Commission has also determined revised retail supply tariff for consumers of Mangalore Special Economic Zone (MSEZ) at Mangaluru and AEQUS SEZ in Belagavi District.

The revised transmission tariff to be collected by KPTCL from ESCOMs has also been fixed for Financial Year 21 (FY21).

**The revised tariff will come into effect for the electricity consumed from the first meter reading date falling on or after 1<sup>st</sup> November, 2020.**

In the normal course, the revised tariff **should have been given effect from first of April of every year.** However, due to the following reasons, the tariff order could not be issued on time:

- a) Imposition of total lockdown on account of Covid-19 pandemic situation prevailing across the Globe, in India and especially in the State of Karnataka, which has severely affected the economy of all the sectors.

- b) Pendency of an Appeal filed by KPTCL before the Hon'ble Appellate Tribunal for Electricity (ATE) against KERC Order issued in January, 2020 and disposal of the said Appeal on 05.10.2020 by the Hon'ble ATE.
- c) Election Code of conduct coming into force due to declaration of bye-elections in Sira and Rajarajeshwari Assembly constituencies to be held on 03.11.2020.

The increase in tariff is necessitated due to the fact that the cost of power purchase has been increasing year after year, due to procurement of energy from new thermal and from Renewable energy sources, to meet the demand. The input costs towards Operation & Maintenance and borrowings for capital expenditure are also increasing year on year. Hence, in order to enable the ESCOMs to carry on their business of supplying the electricity which is the basic need of the Society, the increase in the tariff has become inevitable.

In view of the adverse financial situation prevailing among all the sectors of economy due to Covid-19 pandemic, the Commission has decided to give effect to the revised tariff **for the electricity consumed from the meter reading date falling on or after 1<sup>st</sup> November, 2020**, resulting in recovery of the revised tariff only for 5 months in Financial Year 20-21.

**Against a total revenue gap of Rs. 2,473 Crores, an amount of Rs1,443 Crores that would have been recovered as additional Revenue towards tariff revision from 1<sup>st</sup> April 2020 to 31<sup>st</sup> October, 2020 (7 months), has been kept as Regulatory Asset, to be recovered from the consumers in FY22 & FY23, to ensure that the consumers are not burdened due to adverse economic conditions prevailing due to the current Covid-19 pandemic situation. The balance unmet gap of Rs.1,030 Crores is allowed to be recovered during the 5 months balance period in the current FY21 by tariff revision.**

**The main reasons for increase in costs are:**

Irrespective of the energy usage by the consumers, the ESCOMs have to incur the following fixed costs every month:

- a. Fixed costs to thermal stations due to long-term power purchase agreements.
- b. Revisions of salaries to employees, O & M expenses etc.
- c. Interest on borrowings for capital expenditure and working capital.

#### **Increase in expenses in FY21 over FY20**

1. Increase in Power purchase cost by Rs.3,132 Crores over FY20 (9.2% increase); due to increase in cost from new thermal stations and increase in energy cost from Renewable Power.
2. Increase in O & M Costs of Rs1,050 Crores (21.45 % Increase);
3. Increase in Interest & Finance Charges, increase in Depreciation etc., Rs.212 Crores (6% increase);
4. Carry forward of deficit of FY19 (due to truing up) of Rs.1,837.16 Crores.

#### **ESCOM's Proposal:**

The ESCOMs have sought a tariff hike ranging between 52 paise to 196 paise per unit, in respect of all categories of consumers. The ESCOM-wise increase proposed and the percentage increase in tariff is as follows:

<b>ESCOM</b>	<b>Revenue Gap projected Rs.Crores</b>	<b>Energy Sales projected - MU</b>	<b>Per Unit Increase - Paise</b>	<b>Existing Revenue projected Rs.Crores</b>	<b>Percentage Increase</b>
BESCOM	5,872.09	29,938.60	196	23,268.98	25.24
MESCOM	346.09	5,596.19	62	3,905.34	8.86
CESC Mysore	475.50	6,956.12	68	4,708.42	10.10
HESCOM	683.95	13,230.18	52	9,270.67	7.38
GESCOM	602.03	7,766.75	78	5,382.67	11.18
<b>Total</b>	<b>7,979.66</b>	<b>63,487.84</b>	<b>126</b>	<b>46,536.08</b>	<b>17.15</b>

**On the basis of the above proposal, the average increase sought for the State works out to Rs.1.26 per unit and the percentage increase sought works out to 17.15%.**

Since a uniform tariff is in vogue in the State, the Commission has approved uniform increase across all the ESCOMs and Hukeri RECS with a marginal differential increase in BESCO area. The slab-wise increase in the energy charges is ranging between 20 paise to 25 paise per unit across all categories except Bangalore Metro, Battery Charging Station for Electric Vehicles and there is an increase of 50 paise per unit for Temporary installations. The average increase in tariff (including the fixed charges) is 40 paise per unit, accounting for an overall increase in tariff by 5.40%.

As per the current tariff structure, the recovery of Fixed Charges (FC) from consumers is not commensurate with the actual fixed expenditure being incurred by the ESCOMs. Thus, a substantial part of the FC is being recovered through Energy Charges. The current level of recovery of fixed charges is only 27.73% and the remaining fixed charges are being recovered through energy charges. Hence, in order to ensure full recovery of FC, the Commission has decided to increase the FC gradually year on year. Accordingly, the Commission has approved a marginal increase in fixed charges by Rs.10/- per kW/HP/kVA in respect of all the installations except IP installations. With this marginal increase in the FC, the recovery would be to the extent of 33%.

#### **Highlights of the new Tariff Order:**

❖ **Removal of morning Peak under ToD Tariff:**

To encourage increase in HT Industrial consumption, the penalty of Re.1 per unit, for morning peak usage between 6 Am to 10 Am has been withdrawn.

❖ **Increase in Rebate for use of LED bulbs in Public Lighting:**

To promote conservation of energy through use of LED bulbs in public lighting, the Commission increased the rebate to 105 paise from 100 paise per unit, for installing LED / Induction lamp lighting to streetlight installations by the urban and rural local bodies including BBMP.

❖ **Special Incentive Scheme for HT Consumers** – A Special incentive scheme introduced in 2018 has been continued for all the HT Consumers for usage of energy during 10.00 Hrs to 18.00 Hrs by allowing an incentive

of Re.1 per unit, over and above their base consumption and for the consumption during the night i.e., 22.00 Hrs to 6.00 Hrs an incentive of Rs.2 per unit is allowed for all the units consumed. Penal charges of one Rupee per unit would continue for the energy consumed during the evening peak hours between 18.00 Hrs to 22.00 Hrs.

- ❖ To encourage the use of clean energy and reduction of carbon emission in the State and to encourage commuters to use public transport, the Commission has not increased the tariff to BMRCL and approved to continue the existing concessional tariff of Rs.5.20 per unit and has continued the concessional tariff to Railway traction at Rs.6.45 per unit, round the clock without ToD tariff and Special incentive scheme.
- ❖ The Tariff for the Effluent Treatment Plants and the Sewerage Water Treatment Plant, located within the premises of the consumer installations, the tariff is continued to be billed under the respective category of installations.
- ❖ The Commission, considering the environmental and social benefits of processing solid waste, has continued LT and HT industrial tariff to Solid Waste processing plants located within the premises of the industries.
- ❖ To ensure timely redressal of consumer grievances, the earlier directive to the ESCOMs, to conduct Consumer's Interaction meetings at every Sub-Division Office once in three months under the Chairmanship of either the Superintending Engineer of the jurisdictional circle or the Executive Engineer of the jurisdictional Division, the Commission has directed the ESCOMs to continue the same. In case of failure to conduct such meetings, the Commission will impose a penalty of upto one lakh rupees per Sub-Division, payable by the concerned jurisdictional defaulting Officers.
- ❖ To encourage use of clean energy, the Commission has continued the new tariff category LT6(C) for Electric Vehicle Charging Stations, which was introduced in Tariff Order 2018, in view of issue of the "Electric Vehicle (EV) and Energy Storage Policy" of the Government of Karnataka, which envisages 100% Electric Mobility and promoting Electric Vehicles with the environmental concerns. This energy charge is

applicable to both HT and LT categories. In order to encourage the use of EV's, the existing concessional tariff of Rs.5 per unit has been continued without any increase for FY21. **As per the guidelines issued by the Government of India the benefit of concessional tariff is also extended to the battery swapping units which are exclusively used for charging and swapping of batteries used for Electric Vehicles.**

### **Salient Features of Tariff Order 2020 issued for FY21:**

#### **Domestic Consumers:**

For the domestic consumers, installations of Government / Charitable Educational Institutions and hospitals in BESCO (BBMP & the other Municipal Corporation areas), the overall tariff increase is 25 paise per unit and the tariff for monthly consumption upto 30 units is increased from Rs.3.75 per unit to Rs.4.00 per unit and for consumption between 31 to 100 units, the tariff is increased from Rs.5.20 per unit to Rs.5.45 per unit. The tariff for monthly consumption of 101-200 units is increased from Rs.6.75 to Rs.7.00 per unit. The tariff for monthly consumption of above 200 units is increased from Rs.7.80 to Rs.8.05 per unit.

For the domestic consumers in rural areas of BESCO (under Village Panchayat), the tariff for monthly consumption of up to 30 units is increased from Rs.3.65 per unit to Rs.3.90 per unit and for consumption between 31 to 100 units the tariff is increased from Rs.4.90 per unit to Rs.5.15 per unit. The tariff for monthly consumption of 101-200 units is increased from Rs.6.45 to Rs.6.70 per unit. The tariff for monthly consumption of above 200 units is increased from Rs.7.30 to Rs.7.55 per unit.

For the domestic consumers in areas coming under Municipal Corporations and Urban Local bodies of other ESCOMs, the tariff for monthly consumption of up to 30 units is increased from Rs.3.70 per unit to Rs.3.95 per unit and for consumption between 31 to 100 units, the tariff is increased from Rs.5.20 per unit to Rs.5.45 per unit. The tariff for monthly consumption of 101-200 units is increased from Rs.6.75 to Rs.7.00 per unit. The tariff for monthly consumption of above 200 units is increased from Rs.7.80 to Rs.8.05 per unit.

For the domestic consumers in village panchayat areas of other ESCOMs, the tariff for monthly consumption of up to 30 units is increased from Rs.3.60 per unit to Rs.3.85 per unit and for consumption between 31 to 100 units, the tariff is increased from Rs.4.90 per unit to Rs.5.15 per unit. The tariff for monthly consumption of 101-200 units is increased from Rs.6.45 to Rs.6.70 per unit. The tariff for monthly consumption of above 200 units is increased from Rs.7.30 to Rs.7.55 per unit.

### **Industrial Consumers:**

The increase in the tariff for LT Industrial consumers across the State is 25 paise per unit. The revised rates for LT industrial users in BBMP & Other Municipal Corporation areas of BESCO will be Rs.5.90 per unit (existing rate of Rs.5.65) for the first 500 units of monthly consumption and Rs.7.20 per unit (existing rate of Rs.6.95) for consumption above 500 units.

The revised rates for LT industrial users in other areas of BESCO will be Rs.5.60 per unit (existing rate of Rs.5.35) for the first 500 units of monthly consumption and Rs.6.55 per unit (existing rate of Rs.6.30) for consumption from 501 to 1000 units and Rs.6.85 per unit (existing rate Rs.6.60) for consumption above 1000 units.

For LT Industrial users in Municipal areas of other ESCOMs, the new rates will be Rs.5.70 per unit (existing rate Rs.5.45) for the first 500 units of monthly consumption, Rs.6.70 per unit (existing rate Rs.6.45) for consumption from 501 to 1000 units and Rs.7.00 per unit (existing rate Rs.6.75) for consumption above 1000 units.

For LT Industrial users in all other areas of ESCOMs, the new rates will be Rs.5.60 per unit (existing rate Rs.5.35) for the first 500 units of monthly consumption, Rs.6.55 per unit (existing rate Rs.6.30) for consumption from 501 to 1000 units and Rs.6.85 per unit (existing rate Rs.6.60) for consumption above 1000 units.

For the HT Industrial users across the State, the increase in tariff is 25 paise per unit. For HT Industrial users in BBMP and other Municipal Corporation areas of BESCO, the new tariff will be Rs.7.35 per unit (existing rate Rs.7.10) for the

first one lakh units of monthly consumption and Rs.7.65 per unit (existing rate Rs.7.40) for consumption beyond one lakh units.

For the HT Industrial users in all other areas of BESCO the new tariff will be Rs.7.25 per unit (existing rate Rs.7.00) for the first one lakh units of monthly consumption and Rs.7.45 per unit (existing rate Rs.7.20) for consumption beyond one lakh units.

For the HT Industrial users in all areas of other ESCOMs, the new tariff will be Rs.7.20 per unit (existing rate Rs.6.95) for the first one lakh units of monthly consumption and Rs.7.45 per unit (existing rate Rs.7.20) for consumption beyond one lakh units.

### **Commercial Consumers:**

For LT commercial category users, the increase in tariff is 25 paise per unit. The new tariff in urban local body areas including BBMP and City Municipal Corporation areas in all ESCOMs will be Rs.8.25 per unit (existing rate Rs.8.00) for the first 50 units of monthly consumption and Rs.9.25 per unit (existing rate of Rs.9.00) for consumption beyond 50 units. In the rural areas, the new rates will be Rs.7.75 per unit for the first 50 units of monthly consumption (existing rate Rs.7.50) and Rs.8.75 per unit (existing rate Rs.8.50) for consumption beyond 50 units.

For the HT Commercial users in BESCO area, the increase in tariff is 25 paise per unit. The new tariff in BBMP, City Municipal Corporation areas of BESCO will be Rs.9.15 per unit (existing rate of Rs.8.90) for the first two lakh units of monthly consumption and Rs.9.25 per unit (existing rate of Rs.9.00) for consumption beyond two lakh units.

For the HT Commercial users in all other areas of BESCO, the increase in tariff is 25 paise per unit. The new tariff will be Rs.8.95 per unit (existing rate Rs.8.70 per unit) for the first two lakh units of monthly consumption and Rs.9.05 per unit (existing rate Rs.8.80 per unit) for consumption beyond two lakh units.



For the HT Commercial users in all areas of other ESCOMs, the increase in tariff is 25 paise per unit. The new tariff will be Rs.8.90 per unit (existing rate of Rs.8.65 per unit) for the first two lakh units of monthly consumption and Rs.9.00 per unit (existing rate of Rs.8.75 per unit) for consumption beyond two lakh units.

### **Water Supply and Public Lighting:**

The Commission has increased the tariff for LT water supply installations by 25 paise per unit only from the existing rate of Rs.4.60 per unit to Rs.4.85 per unit. The rate for HT water supply installations is also increased by 25 paise per unit from Rs.5.20 per unit to Rs.5.45 per unit.

### **Concessional Tariff for Streetlight Installations with LED / Induction Lamps:**

The Commission has continued to allow a rebate and increased the rebate to 105 paise for installing LED / Induction lamp lighting for streetlight installations by the urban and rural local bodies including BBMP. The promotional tariff is revised from Rs.5.30 per unit to Rs.5.50 per unit in BESCO area and Rs.5.25 per unit to Rs.5.45 per unit in other ESCOM's area.

For Installations without the use of LED lamps, the revised tariff payable is Rs.6.55 (existing tariff Rs.6.30 per unit) in BESCO area and is Rs.6.50 (existing tariff Rs.6.25 per unit) in other ESCOMs area.

### **Educational Institutions and Hospitals:**

The Commission has increased the tariff by 25 paise per unit for private educational institutions and private hospitals in the LT category. The revised LT tariff in BBMP, Municipal Corporation and Urban Local Body areas of BESCO is fixed at Rs.7.20 per unit (existing rate Rs.6.95) for the first 200 units of monthly consumption and Rs.8.45 per unit (existing rate Rs.8.20), for consumption beyond 200 units. In other areas, the revised tariff is Rs.6.65 per unit (existing rate Rs.6.40) for the first 200 units of monthly consumption and Rs.7.90 per unit (existing rate Rs.7.65), for consumption beyond 200 units.

The revised LT tariff for Pvt. Educational Institutions in Municipal Corporation and Urban Local Body areas of other ESCOMs is fixed at Rs.7.15 per unit (existing rate Rs.6.90) for the first 200 units and Rs.8.40 per unit (existing rate Rs.8.15) for consumption beyond 200 units. In other areas, the revised tariff is Rs.6.60 per unit (existing rate Rs.6.35) for the first 200 units and Rs.7.85 per unit (existing rate Rs.7.60) for consumption beyond 200 units.

The revised HT tariff for Government hospitals and hospitals run by charitable institutions as well as educational institutions belonging to Government and aided institutions in BESCO area is Rs.7.10 per unit (existing rate Rs.6.85) for the first one lakh units and Rs.7.50 per unit (existing rate Rs.7.25) for consumption beyond one lakh units. In other ESCOMs areas, the revised tariff is Rs.7.05 per unit (existing rate Rs.6.80) for the first one lakh units and Rs.7.45 per unit (existing rate Rs.7.20) for consumption beyond one lakh units.

The revised HT tariff for Private Educational Institutions and Private Hospitals in BESCO area is Rs.8.10 per unit (existing rate Rs.7.85) for the first one lakh units and Rs.8.50 per unit (existing rate Rs.8.25) for consumption beyond one lakh units. In other ESCOMs areas, the revised tariff is Rs.8.05 per unit (existing rate Rs.7.80) for the first one lakh units and Rs.8.45 per unit (existing rate Rs.8.20) for consumption beyond one lakh units.

### **Green Tariff:**

The Commission continues to promote purchase and use of energy from Renewable Sources, Green Tariff at 50 paise per unit over and above the applicable Tariff for HT Industries & HT Commercial Consumers at their option.

### **Government Subsidy:**

The estimated amount of subsidy to be paid to the ESCOMs and the Hukeri RECS by the Government towards free supply of electricity to 31.65 lakhs IP sets up to and inclusive of 10 HP, and 27.35 lakh Bhagya Jyothi / Kutira Jyothi households is Rs.12,911.38 Crores for 2020-21 as against Rs.11,892.45 Crores for 2019-20. The estimated consumption of IP Sets is 21614.36 MU (35% of total

sales) and that of Bhagya Jyothi / Kutira Jyothi Consumers for FY21 is 748.12 MU (Total subsidized consumption is 22,362.48 Million Unit (MU)).

### **Annual Revenue Requirement (ARR) of ESCOMs for FY21:**

The Commission, in accordance with the principles under the Multi-Year Tariff (MYT) Regulations has determined the revised Annual Revenue Requirement (ARR) for FY21. The Commission has also taken up the Annual Performance Review (APR) of all the Licensees for FY19 and the deficit thereon has been factored in the ARR for FY21.

On a detailed review of the Tariff Applications of the ESCOMs for the Financial Year 2020-21, the KERC has approved an overall expenditure (ARR) of Rs.48,300.57 Crores collectively for all the ESCOMs, which would be selling 62,101.73 MU (excluding Transmission loss of 3.039% & Distribution losses of 12.27%, FY21) to the consumers, during FY21. The ESCOMs will procure 73,104.34 MU for this purpose during FY21. The Bangalore Electricity Supply Company (BESCOM) will procure 34,962.35 Million Units which accounts for 47.83% of the total State's energy with a net ARR of Rs.24,371.86 Crores for FY21.

Summary of the KERC Approved, revised ARR, Sales and Power Purchase, in respect of all the ESCOMs, for the FY21 is as detailed in the following table:

<b>Sl No</b>	<b>Particulars</b>	<b>FY21</b>	<b>Remarks</b>
1	Approved ARR by KERC Rs. Crores (ESCOMs)	48,300.56	
2	Approved ARR by KERC Rs. Crores (HRECS)	168.23	
3	Approved sales in MU (ESOMs)	61,828.97	Excluding T & D Losses as indicated below.
4	Approved sales in MU (Hukeri RECS)	272.76	Excluding T & D Losses as indicated below.
5	Approved Transmission loss %	3.039	
6	Approved Distribution loss % (ESCOMs)	12.27	
7	Power purchase in MU	73,104.34	FY20 – 70,905.56 MU

The ESCOMs and Hukeri RECS had filed applications for approval of Annual Performance Review (APR) for FY19 and the revision of Annual Revenue Requirement (ARR) for FY21 with proposals for revision of tariff for FY21 citing reasons of overall increase in the cost of power purchase and also increase in the cost of their operations. The ESCOM-wise, proposed and approved Annual Revenue Requirement (ARR) for FY21 (including the carry forward deficit for FY19) are as under:

**ESCOM-wise Proposed and Approved ARR for FY21:**

[Figures in Rs. Crores]

ESCOM	FY21	
	As Filed	As Approved
BESCOM	29,141.07	24,371.86
MESCOM	4,251.43	4,011.33
CESC Mysore	5,183.92	4,821.23
HESCOM	9,954.62	9,382.86
GESCOM	5,984.70	5,713.28
Hukeri RECS	263.72	168.23
<b>Total</b>	<b>54,779.46</b>	<b>48,468.79</b>

**Revenue Gap FY21:**

In the Annual Performance Review of all ESCOMs and Hukeri RECS for FY19, the Commission has determined a deficit in Revenue of Rs.1,837.16 Crores. This deficit together with the estimated deficit of Rs.636.00 Crores for FY21 leaves an overall gap of Rs.2,473.16 Crores to be recovered by increase in tariff for FY21.

**Transmission Tariff for KPTCL for 2020-21:**

The Commission has approved a revised ARR of Rs.4292.87 Crores for FY21 by including the revenue gap of Rs.436.71 Crore approved as per the APR for FY19.

The deficit of Rs.72.90 Crores towards revenue gap of FY06-07 as per truing up of ARR has been factored in the approved ARR for FY21. As per the

Orders of Hon'ble Tribunal dated 05.10.2020. an amount of Rs. 138.09 Crores has been considered in the ARR for being recovered in tariff towards Regulatory Asset created and to be amortized over a period of five years. The transmission tariff payable to KPTCL for 2020-21 will be Rs.1,55,114 per MW / Month as against the existing tariff of Rs.1,33,644 per MW / Month approved for 2019-20 and Rs.1,31,711 for FY21 as determined in Tariff Order 2019. The revised transmission tariff for 2020-21 has been included in the power purchase cost allowed to ESCOMs and is covered in the tariff revision approved for ESCOMs.

**Determination of ARR and Retail supply tariff for Mangalore SEZ Ltd., (MSEZL):**

The Commission has determined ARR of Rs.52.19 Crores for MSEZL for FY21. The Commission has allowed a retail supply tariff of Rs.7.20 per unit, in respect of industrial consumers in MSEZL for FY21.

**Determination of ARR and Retail supply tariff for AEQUS SEZ:**

The Commission has determined ARR of Rs.23.66 Crores for AEQUS SEZ for FY21. The Commission has allowed a retail supply tariff of Rs.7.25 per unit, in respect of industrial consumers in AEQUS SEZ for FY21.

***[Note: The detailed category-wise revised tariff schedule is enclosed and the Tariff Orders of KPTCL, ESCOMs, HRECS, MSEZL & AEQUS SEZ for FY21 are made available on the Commission's website <https://karunadu.karnataka.gov.in/kerc> ].***

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