

GESCOM

**Preliminary Observations on APR of FY13 and Revision of ERC &
Tariff application for FY15**

1. General Observations:

- i. GESCOM has to furnish half yearly accounts for FY14.
- ii. On a review of the Balance Sheet it is observed that assets and liabilities are not tallied and format A2 is not drawn up correctly for the year FY12 to FY16.
- iii. Cash flow statement for FY14 & FY15 is not drawn up in format A3. Also the data furnished for FY13 do not tally with the data indicated in the Balance Sheet (Format A2).
- iv. Format A1 does not indicate the gap considering revenue at the existing tariff.
- v. Format D2 does not indicate revenue at the existing tariff.
- vi. The Format D3 does not indicate any data for FY13 to FY16.
- vii. The Revenue gap for FY13 is indicated as Rs.378.41 Crs. As per the Clause 3(4) of the KERC (Tariff) Regulations, 2000, the licensee is required to file its ERC by proposing measures adequate to cover the deficit. In case such measures are not proposed, the application is liable to be rejected. In the present filing, GESCOM, in its application, on page 5 has indicated that the gap of Rs.378.41 Crores for FY13 is to be met by GoK. However, GESCOM has not furnished the commitment letter of GoK to bear the gap indicated above. Hence GESCOM is required to furnish commitment of GoK to meet the gap of Rs.378.41 Crores of FY13.
- viii. GESCOM needs to clarify whether any subsidy of the past years has been accounted during FY13. If so details shall be furnished with explanation. Also, the details of energy quantum and subsidy claimed from GoK for FY13 in respect of BJ/KJ and IP Sets shall be furnished.

2. Retail Sales:

The Commission in its Tariff order dated 30th April 2012 had approved total sales to various consumer categories at 5995 MUs for GESCOM as against GESCOMs proposal of 5958 MU. The Actual sales of GESCOM as per the current filing is 5724 MU indicating a shortfall in sales to the extent of 270 MUs with respect to the approved sales.

It is noted that, as against approved sales of 3032 MU to categories other than BJ/KJ and IP sets, the actual sales achieved by GESCOM is only 2638 MU, resulting in the reduction of sales to these categories by 394 MU. On the other hand the sales to BJ/KJ and IP category have increased by 123 MUs as against the approved sales 3086 MU to this category.

The category wise sales approved by Commission and the actuals for FY13 is indicated in the below table

Category	Approved	Actuals	Approved-Actuals
LT-2a	921.53	772.58	148.95
LT-2b	8.29	7.03	1.26
LT-3	247.15	216.86	30.29
LT-4b	7.22	13.63	-6.41
LT-4c	1.37	3.99	-2.62
LT-5	183.96	163.10	20.86
LT-6	144.20	126.14	18.06
LT-6	208.73	139.61	69.12
LT-7	24.48	17.02	7.46
HT-1	72.54	73.88	-1.34
HT-2a	1072.16	956.25	115.91
HT-2b	55.19	52.98	2.21
HT-3a & b	66.25	75.94	-9.69
HT-4	18.5	15.78	2.72
HT-5	0	3.29	-3.29
Sub total	3031.57	2638.08	393.49
BJ/KJ	137.15	127.87	9.28
IP	2825.77	2958.35	-132.58
Sub total	2962.92	3086.22	-123.30
Grand total	5994.49	5724.30	270.19

From the above table it is noted that the major categories contributing to the reduction in sales are LT Domestic (149 MU), LT Commercial (30 MU), LT Industries (21 MU), LT public lighting(69MU) and HT Industries (116 MU). On the other hand it is noted that the sales to IP sets has increased by 133 MU.

The Commission notes that GESCOM has failed to achieve the estimated sales in FY 13. Further, GESCOM has not furnished the details for the year 2012-13 in D-2 format, the same needs to be furnished.

a) Revised Estimated Sales Forecast for FY 15

GESCOM in their filing has furnished the following revised projections of sales for FY-15

Category	Comparison of approved and revised sales for FY-15		Comparison of approved and revised No. of installation for FY-15	
	Approved MUs	Revised sales MU	Approved No. of Installation	Revised No. of Installation
LT-2a	1001.79	913.14	1369990	1429491
LT-2b	8.26	8.09	3713	3757
LT-3	289.63	266.39	215497	211419
LT-4 (b)	10.26	16.02	1866	2203
LT-4 (c)	8.88	8.76	178	310
LT-5	189.39	167.88	54447	52679
LT-6	144.8	133.57	17201	16011
LT-6	238.92	135.85	12067	11186
LT-7	30.27	23.16	18453	30244
HT-1	87.87	84.22	87	96
HT-2 (a)	1150.31	1067.14	1310	1296
HT-2 (b)	65.20	55.58	293	285
HT2C	0	0	0	0
HT-3(a)& (b)	175.34	88.40	184	192
HT-4	18.84	18.06	38	54
HT-5	15	4.3	10	18
BJ/KJ	85.33	148.44	539697	607991
IP	3221.63	3346.83	342142	302919
Total	6741.72	6485.83	2716794	2670151

GESCOM has stated that it has arrived at the above projections by considering the actual consumption for the period FY-12 to FY-14 for categories other than BJ/KJ and IP sets. Further it is stated that for IP sets sales are estimated using sample studies and for BJ/KJ the sales are estimated considering 18 Units /per month per installation.

Based on the information available the CAGRs for the period FY-08 to FY-13 and for the period FY10- to FY-13 both for no. of installations and the energy sales is worked out and compared with the growth rates proposed by GESCOM which is discussed below:

i) No. of installations

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

Category	Percentage Growth Rates			
	2007-08 to 2012-13 CAGR	2009-10 to 2012-13 CAGR	Growth in 2013 over 2012	Growth rate proposed by GESCOM
LT-2a	3.37	4.00	4.26	4.14
LT-2b	15.18	11.20	9.59	14.23
LT-3	4.55	5.24	5.63	4.03
LT-4 (b)	14.79	31.16	60.92	12.05
LT-4 (c)	30.77	37.07	69.57	26.02
LT-5	5.21	5.80	5.86	4.49
LT-6	3.98	1.83	-1.56	3.09
LT-6	4.67	3.68	-2.28	4.61
LT-7	29.14	36.82	59.18	27.28
HT-1	7.58	10.39	18.06	6.67
HT-2 (a)	14.72	11.87	9.21	10.86
HT-2 (b)	7.86	7.68	8.09	5.95
HT2C	0	0	0	0
HT-3(a)& (b)	7.11	8.86	16.22	5.49
HT-4	11.72	17.27	46.88	3.85
HT-5	0	0	0	12.5
Sub Total (Other than BJ/KJ and IP)	3.78	4.45	4.85	4.50
BJ/KJ	5.10	1.75	1.25	3.90
IP	3.42	2.15	2.85	3.00
Sub Total (BJ/KJ and IP)	4.52	1.89	1.78	3.60
Grand Total	4.03	3.53	3.76	4.19

2. It is noted that the growth rate is lower in comparison to normal growth rates for the categories of LT & HT Commercial, LT 4b & 4c, LT & HT Industries, HT

water supply, HT Irrigation and HT Residential. GESCOM shall furnish the reasons for the above.

ii) Energy Sales

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

Category	Percentage Growth Rates			
	2007-08 to 2012-13 CAGR	2009-10 to 2012-13 CAGR	Growth in 2013 over 2012	Growth rate proposed by GESCOM
LT-2a	9.69	9.54	5.36	10.02
LT-2b	8.11	6.61	11.94	7.29
LT-3	13.79	12.11	8.46	11.76
LT-4 (b)	0.89	17.09	95.55	8.39
LT-4 (c)	66.69	67.89	113.37	47.97
LT-5	1.35	2.35	-3.61	1.46
LT-6	6.42	7.84	9.73	1.40
LT-6	0.32	-5.07	-17.62	0.13
LT-7	19.48	23.18	-14.3	16.62
HT-1	7.65	8.30	10.65	6.77
HT-2 (a)	5.03	7.29	6.19	1.90
HT-2 (b)	7.37	1.57	11.40	2.41
HT2C	0	0	0	0
HT-3(a)& (b)	15.55	14.19	-5.57	7.90
HT-4	5.23	4.40	1.54	5.55
HT-5	0	0	0	21.47
Sub Total (Other than BJ/KJ and IP)	6.86	7.39	4.16	5.59
BJ/KJ	9.2	9.13	5.36	7.74
IP	7.04	12.53	6.10	5.52
Sub Total (BJ/KJ and IP)	7.12	12.38	6.07	5.61
Grand Total	7.00	9.97	5.18	5.60

2. The overall growth rate of 5.59 % considered by GESCOM for categories other than BJ/KJ and IP sets is low when compared to the normal growth in the

range of 6.9 % to 7.4 %. It is observed that in FY-13 the growth rate has dipped drastically for the above category, with negative growth rate for LT Industries, LT public lighting and HT Irrigation. The growth rates have dipped substantially in FY-13 for LT domestic LT commercial and HT residential. GESCOM needs to analyze the reasons for the above reduction.

The Commission notes that when compared to the normal growth rates, the estimates made for FY-15 are lower for LT 2b, LT6 water supply HT water supply, HT industries, HT commercial and HT irrigation categories. GESCOM shall furnish the reasons for the above.

3. Regarding the no. of installations under BJ/KJ category, GESCOM shall intimate as to whether there is any target specified by the GoK. Further the sales estimates for BJ/KJ considering 18 Units/month/Installation is not correct. As the actual specific consumption for the previous year is available, the estimate should be based on actuals. Hence, GESCOM shall furnish the breakup of BJ/KJ Installations in the following format for FY-13(Actuals), FY-14(Actuals up to end of Nov and estimates for the remaining period indication the break up)and FY-15(Estimate):

Particulars	No. of Installations	Consumption in MU
Installations Consuming less than 18 Units		
Installations consuming more than 18 units and build under LT 2a		

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

iii) No. of Installations

Category	2011-12 Actuals		2012-13 Actuals		2013-14	
	As on 30 th Nov 2011 (cumulative)	As on 31 st March 2012 (cumulative)	As on 30 th Nov 2012 (cumulative)	As on 31 st March 2013 (cumulative)	As on 30 th Nov 2013 (cumulative actuals)	As on 31 st March 2014 (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)& HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP)						
BJ/KJ						
IP						
Sub Total (BJ/KJ and IP)						
Grand Total						

iv) Energy Sales

Category	2011-12 Actuals		2012-13 Actuals		2013-14	
	1 st April 2011 to 30 th Nov 2011 (cumulative)	1 st Dec 2011 to 31 st March 2012 (cumulative)	1 st April 2012 to 30 th Nov 2012 (cumulative)	1 st Dec 2012 to 31 st March 2013 (cumulative)	1 st April 2013 to 30 th Nov 2013 (cumulative actuals)	1 st Dec 2013 to 31 st March 2014 (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						
IP						
Sub Total (BJ/KJ and IP)						
Grand Total						

v) Sales to IP sets

As per Tariff Order dated 30th April 2012 for FY 13, the Commission had approved a specific consumption of IP Sets as **9708** units / installation / annum. But, the actual specific consumption calculated on the basis of actual consumption and midyear number of installations for FY13 is **9903** units / installation / annum. The difference between approved and actual specific consumption is **195** units/installation/annum. GESCOM is required to furnish reasons for the supply exceeding the Commission's approved specific consumption of **9708** units / installation / annum for FY13.

As per the monthly reports received in the Commission for FY 13, the total number of IP Installations as on 31st March 2013 is reported as **277707**, but, as per Tariff filing, GESCOM has indicated the number of Installations as on 31st March 2013 as **285506**. Thus, there is a difference of **49.14** MU in consumption

and **7799** in number of IP Set installations between the filing data and the monthly reports received in the Commission for FY13. GESCOM needs to furnish the reasons for the difference in consumption and number of installations for FY13.

In the Tariff Order dated 6th May 2013, the Commission had approved a specific consumption of **9838** units / installation / annum for the control period FY14 to FY16. GESCOM has to explain variation in IP Set consumption for FY 14 (including the remaining period of FY14) and FY15 based on the Commission's approved specific consumption of **9838** units / installation / annum and the estimated midyear number of IP sets for that period.

vi) Renewable Purchase Obligation:

Details of RPO met [both solar and non-solar] in FY13 shall be furnished. For this purpose reconciled power purchase quantum shall be furnished. The RE sources shall include generators having PPA at preferential tariff and also RE purchased under short-term and section 11. It shall exclude energy purchased under APCC and energy purchased for the purpose of green tariff.

Further, action plan for meeting both solar and non-solar RPO compliance in FY14 and FY15 shall be furnished.

vii) Wheeling and Banking

GESCOM in its filing has stated that, the present system of charging concessional wheeling charges at 5 % and banking charges at 2 % is seriously affecting their distribution business, as the system utilized carries higher technical loss than the above charges. Hence, they have requested to maintain parity in wheeling charges even for NCE sources. Further they have requested to extend the banking facilities on a monthly basis and to charge excess energy injected at the end of the month at Commission determined Tariff. It is stated that the above methodology would help GESCOM to meet its RPO. It is stated that in absence of suitable methodology to pay the difference in UI charges as time of injection and drawal, the above method would be beneficial for both the parties.

GESCOM has stated that the concessional charge is affecting their distribution business. The above statement of GESCOM is to be supported with working details if they are incurring losses due to the current concessional wheeling and banking facility.

viii) Cross subsidy surcharge

It is noted that a calculations made by GESCOM are not correct as the as the same are not worked out as per the formula specified in the Regulations. Further the cross subsidy surcharge has to be proposed for each of the HT categories separately.

3) Power Purchase:

i. Power Purchase for FY13:

Regarding power purchase no details are furnished by GESCOM in Format D1. Further, GESCOM is required to clarify whether any advances are paid to generators and if so, details shall be furnished

ii. Power Purchase for FY15:

Details of NCE sources not furnished for FY15. GESCOM is required to indicate the action plan for meeting RPO in FY15.

4) O & M Expenses:

1. For FY13 KERC had allowed an amount of Rs.36.91 Crores in the Tariff order 2012 as an additional employee cost. GESCOM shall indicate the actual additional employee cost incurred for the year FY13 on account of revision in basic pay, pension and gratuity contribution to P&G trust and Newly Defined Contributory Pension Scheme, increase in DA, increase in HRA and additional employee cost on account of recruitment of employees etc.

2. GESCOM is required to furnish information for FY13 to FY16 as per Format D6(a).

5) Capital Investment:

i) Capital Investment for FY13:

The capital investment programme of Rs. 466.67Crores was proposed by GESCOM for FY13 and the same has been approved by the commission. As against this, the total capital expenditure incurred was Rs 355.51 Crores as indicated in Format D17 for FY13. But, the breakup of the capital expenditure as per the approved list of works has not been submitted by GESCOM.

Hence, the details of expenditure as against each items of proposed capex for FY13 as mentioned in the table below are to be furnished:

Sl. No.	Schemes	Rs. in Crores	Actual Expenditure in Rs. Crores
1	33kv Substation/Line works including augmentation/Replacement	42.50	
2	33kv/11 KV Lines for New Stations	25.50	
3	Re-conducturing of 33/11KV lines	13.00	
4	NJY	101.00	
5	Providing infrastructure to Un authorized IP Sets	14.00	
6	Metering Programme		
7	Metering of BJ/KJ, IP Sets and Street Lights (Un-metered category)	2.00	
8	Metering of DTCs	34.00	
9	Replacement of MNR meters	7.00	
10	RAPDRP	132.00	
11	Service connections	11.00	
12	Providing ABC/UG Cables & RMUs	1.50	
13	RGGVY	25.00	
14	Water Supply Works	6.00	
15	Providing new DTCs	12.50	
16	Replacement of failed DTCs by new ones	3.00	
17	Civil Engineering works, DSM & Others	5.00	
18	RE Works (General)		
19	Electrification Hamlets/Villages	5.00	

20	SCP/TSP		
21	Electrification of Hamlets/HBs/JCs/Thandas	0.65	
22	Energisation of IP Sets	1.50	
23	Ganga Kalyana	20.00	
23	Prevention of Electrical Accidents	0.50	
25	IT/SCADA	4.00	
26	T&P and Computers	0.02	
Total		466.67	

In order to facilitate prudence check of the capex incurred by GESCOM for FY13, the GESCOM is required to furnish the details of works costing Rs.10.00 lakhs and above division wise duly incorporating the objectives in the following format:

1	2	3	4	5	6
Name of the Division	Scheme / work	Nomenclature of work	Detailed Objectives for taking up of the work	Work order No. & Date	Estimation / DPR cost in lakhs

7	8	9	10	11	12
Actual cost of completion of the work	Date of commencement	Date of completion	Reasons for delay	Cost benefit ratio	Remarks

In respect of works costing less than Rs.10 lakhs each a list of works with estimated cost and expenditure incurred only needs to be furnished division wise.

ii) Capital Investments for FY-15:

GESCOM has proposed a capital expenditure of Rs. 515 Crores for FY 15. GESCOM has to indicate the funding details for the proposed works for FY15.

6) Depreciation:

GESCOM is required to furnish data of depreciation on account of capital assets created by consumer contribution and grants for FY13 to FY15. The formats D8, D15 & D16 are to be recasted.

7) Return on Equity:

The Balance Sheet for FY13 indicates an additional amount of Rs.95 Crores under Share Application Money and pending allotment. GESCOM is required to furnish details of this additional fund and date of receipt of this fund.

8) Observation on Format D21:

The revenue as per proposed tariff is worked out at 67 paise per unit in Format D21 for all categories except BJ/KJ, IP Sets, HT(4) and HT(5). However, in Format D20 GESCOM has proposed 67 paise per unit increase for HT4 and HT5 categories. GESCOM shall furnish the correct formats D20 and D21.

9) New Proposal for flat rate tariff:

GESCOM has proposed for flat / single rate tariff instead of present slab based tariff. GESCOM shall furnish details of its proposal duly justified for all categories of consumers.