

HESCOM

Preliminary Observations on APR for FY 13 and Revision of ERC & Tariff application for FY15

1. General Observations:

- i. HESCOM is required to furnish half yearly accounts for FY 14.
- ii. HESCOM 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:

a) Actuals for FY-13

The Commission in its Tariff order dated 30th April 2012 had approved total sales to various consumer categories at 8401 MUs for HESCOM as against HESCOMs proposal of 9093 MUs. The Actual sales of HESCOM as per the current filing is 8389 MU indicating a shortfall in sales to the extent of 12 MUs with respect to the approved sales.

It is noted that, as against approved sales of 3899 MUs to categories other than BJ/KJ and IP sets, the actual sales achieved by HESCOM is only 3600 MUs, resulting in the reduction of sales to these categories by 299 MUs. On the other hand the sales to BJ/KJ and IP category has increased by 287 MUs as against the approved sales 4502 MUs to this category.

The category wise sales approved by the Commission and the actuals for FY 13 is indicated in the below table:

(in MUs)

Category	Approved	Actuals	Approved-Actuals
LT-2a	1160.23	1185.12	-24.89
LT-2b	11.01	7.06	3.95
LT-3	350.02	337.08	12.94
LT-4b	3.36	14.99	-11.63
LT-4c	0.41	0.42	-0.01
LT-5	321.70	294.45	27.25
LT-6	180.02	170.71	9.31
LT-6	120.55	122.52	-1.97
LT-7	25.27	16.13	9.14
HT-1	220.34	179.05	41.29
HT-2a	1183.00	991.04	191.96
HT-2b	118.0	105.62	12.38
HT-3a & b	190.00	134.64	55.36
HT-4	14.96	19.92	-4.96
HT-5	0	21.48	-21.48
Sub total	3898.87	3600.23	298.64
BJ/KJ	124.54	88.07	36.47
IP	4377.05	4700.28	-323.23
Sub total	4501.59	4788.35	-286.76
Grand total	8400.46	8388.58	11.88

From the above table it is noted that the major categories contributing to the reduction in sales are LT Industries (27 MU), HT Water Supply (41MU), HT Industries (192 MU) and HT Irrigation (55 MU). On the other hand it is noted that the sales to IP sets as increased by 323 MU.

b) Estimated Sales Forecast for FY14

Regarding the estimates of number of installations and Energy sales for FY 14, HESCOM has indicated only the approved figures as per tariff Order 2013 in D2 format. However, the number of installations indicated at page 59 of the filing and the sales indicated at page 66, for the year FY 14 are different from those approved earlier. Since, HESCOM has revised its growth rate, the revised figures for FY 14 both for number of installations and sales shall be indicated in D2 format.

c) Revised Estimated Sales Forecast for FY 15:

HESCOM 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	1446.03	1393.81	2465524	2465524
LT-2b	12.29	7.66	5438	5392
LT-3	461.75	434.48	309138	301304
LT-4 (b)	3.33	15.99	491	850
LT-4 (c)	0.46	0.71	136	208
LT-5	332.88	309.49	101012	105853
LT-6	197.75	197.45	27997	29067
LT-6	131.30	138.07	21199	20066
LT-7	34.74	20.07	54064	46389
HT-1	202.40	210.03	229	217
HT-2 (a)	1341.93	1298.49	1460	1331
HT-2 (b)	130.10	98.80	562	422
HT2C	0	26.00		142
HT-3(a)& (b)	238.15	176.08	144	154
HT-4	20.66	20.32	65	81
HT-5	0	26.73	0	42
BJ/KJ	92.97	92.97	740024	740024
IP	4648.55	4648.55	572306	572306
Total	9295.29	9115.70	4299789	4289372

HESCOM has arrived at the above projections, generally based on CAGR for the period 2009 to 2013.

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 number of installations and the energy sales is worked out and compared with the growth rates proposed by HESCOM 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 HESCOM
LT-2a	4.75	5.32	8.86	Same as approved in TO 2013
LT-2b	9.50	8.57	7.53	9.33 [Average of 2b(i) and 2(b)(ii)]
LT-3	4.75	4.09	3.11	[Average of 3(i) and 3(ii)]
LT-4 (b)	12.64	18.84	68.00	3.30
LT-4 (c)	18.96	34.07	44.19	29.57
LT-5	6.76	5.64	4.07	11.68
LT-6	7.74	6.86	10.05	7.62
LT-6	4.09	3.72	2.75	4.23
LT-7	27.43	29.97	21.53	31.20
HT-1	11.26	10.03	7.83	10.06
HT-2 (a)	14.58	12.77	9.87	13.39
HT-2 (b)	8.29	8.72	7.66	8.65
HT2C				
HT-3(a)& (b)	6.03	5.79	11.67	9.23[Average of 3a and 3b]
HT-4	4.91	8.23	8.93	14.90
HT-5				-
Sub Total (Other than	4.98	5.38	8.15	4.36
BJ/KJ	2.00	-3.44	-13.69	4.29
IP	3.32	3.71	5.05	3.04
Sub Total (BJ/KJ and IP)	2.59	-0.44	-6.06	4.54
Grand Total	4.19	3.39	3.20	4.17

2. The overall growth rate for the no. of installations excluding BJ/KJ and IP is lower. It is noted that for the categories of LT Commercial, LT 4(b) & (c) the growth rate is lower and for LT industries, HT water supply, HT irrigation and HT Residential is higher.

ii) Energy Sales

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 HESCOM
LT-2a	8.79	10.10	14.56	7.15
LT-2b	-1.67	-8.76	-26.84	
LT-3	12.42	11.70	9.41	13.06
LT-4 (b)	40.89	64.45	380.45	
LT-4 (c)	30.73	40.46	50.00	29.59
LT-5	2.43	2.91	0.56	2.52
LT-6	7.08	9.16	6.52	7.55
LT-6	5.29	6.71	8.56	6.16
LT-7	8.25	5.61	-15.24	11.54
HT-1	6.79	8.89	10.25	8.31
HT-2 (a)	11.77	14.80	12.44	14.47
HT-2 (b)	9.69	8.33	9.63	8.70
HT2C				
HT-3(a)& (b)	17.43	18.07	16.28	14.36
HT-4	-4.32	-6.03	25.68	11.54
HT-5				
Sub Total (Other than BJ/KJ and IP)	9.26	10.87	12.07	9.86
BJ/KJ	-6.04	-15.97	-47.00	4.29
IP	10.37	15.02	9.39	2.56
Sub Total (BJ/KJ and IP)	9.87	13.94	7.29	2.60
Grand Total	9.61	12.58	9.29	5.96

1. The overall growth rate of 5.96 % considered by HESCOM is lower when comparison to the normal growth in the range of 9.6 % to 12.5 %. It is observed that growth rates considered by the HESCOM are lower for LT domestic, LT 4(c) and HT irrigation. Further it is noted that the growth rate considered for LT commercial and LT temporary is higher. HESCOM shall furnish the reasons for the above.
2. 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	
	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)&						
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

	2011-12 Actuals		2012-13 Actuals		2013-14	
Category	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)&						
HT-4						
HT-5						
Sub Total (Other						
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 **8210** units / installation / annum. But, actual specific consumption calculated on the basis of actual consumption and midyear number of installations for FY13 is **9214** units / installation / annum. The difference between approved and actual specific consumption is **1004** units/installation/annum. As the variance is very vast HESCOM is required to furnish reasons for the supply exceeding the Commission's approved specific consumption of **8210** 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 **539449**, but, as per Tariff filing, HESCOM has indicated the number of Installations as on 31st March 2013 as **549616**. Thus, there is a difference of (-) **10167** in number of IP Set installations between the filing data and the monthly reports received in the Commission. HESCOM needs to furnish the reasons for the difference in number of installations for FY 13.

In the Tariff Order dated 6th May 2013, the Commission had approved a specific consumption of **8244** units / installation / annum for the control period FY 14 to FY16. HESCOM has to explain variation in IP Set consumption for FY 14 (including the remaining period of FY 14) and FY 15 based on the Commission's approved specific consumption of **8244** units / installation / annum and the estimated midyear number of IP sets for that period.

vi) Renewable Purchase Obligation (RPO) :

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 purchase from 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 and Cross Subsidy surcharge:

HESCOM shall furnish the proposals for wheeling charges [including RE sources] and cross subsidy surcharge with working details as required under MYT regulations. Banking charges for wind, Minihydel and Solar plants shall also be furnished. HESCOM shall furnish working details if they are incurring losses due to the current concessional wheeling and banking facility.

3) Power Purchase:

i) Power Purchase for FY13:

- a) Allocated energy does not tally with the energy filed as the energy is not reconciled among ESCOMs.
- b) Details of Power Purchase under Section 11 for 2012-13 is to be furnished.
- c) The D1 format is having the data of only sourcewise energy in MUs and its total cost with average cost. HESCOM is required to furnish power purchase data as per format D1 for FY13 duly indicating all the particulars as specified in the Regulations.
- d) Details of generator wise short term / medium term power purchase does not tally with the allocation
- e) Inter ESCOM energy charges of (-) Rs.143.6339 Crores and LC charges related to power purchase to an extent of Rs. 69.33 lakhs indicated without details.
- f) Details of NCE sources purchased under preferential tariff and under APPC need to be furnished.
- g) HESCOM shall clarify whether any advances to generators have been included in the actual cost of power purchase claimed for FY13. If so, details need to be furnished.

ii) Power Purchase for FY15:

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

4) O & M Expenses:

For FY13 KERC had allowed an amount of Rs.54.42 Crores in the Tariff order 2012 as an additional employee cost. HESCOM 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.

5) Capital Investment:

i) Capital Investment for FY13:

On page No. 49 of "APR of FY13 and ARR and ERC of FY15", the HESCOM has indicated a capital investment programme of Rs. 1556.75 Crores against which an actual expenditure incurred is only Rs.251.27 Crores for FY13. But, the HESCOM has proposed a capex of 1189.22 Crores with spilt up on various works head during the Tariff filing for FY13. The Commission upon reviewing the previous achievements has considered only Rs. 500 crores as the capex in the Tariff Order for FY13.

The HESCOM has to furnish the reasons as to why there is a change in the tables of capital investment proposed during the Tariff filing for FY13 and the present filing of APR for FY13. Further, HESCOM has to furnish the details of the categories of works in which it could not meet the target and remedial measures taken to match the target.

In E&I works out of the proposed RS. 64.67 Crores only RS.6.82 Crores has been shown as actual expenditure and HESCOM needs to submit the work details as to why the progress is very low. Further, in the DTC metering against the target of RS.31.62 Crores only RS.1.84 Crores has been shown as actual expenditure and HESCOM shall submit the reasons for very poor progress of the same.

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

Sl. No.	Schemes	Rs. in Crores	Actual Expenditure in Crores
1	Extension and improvement works	25.00	
2	Rehabilitation of flood affected villages (special programme)	10.00	
3	RGGVY	85.00	
4	Water Works	6.00	
3	Re-conducturing of ACSR / Rabbit to Coyote	8.00	
4	Re-conducturing of LT line using Rabbit conductor	15.00	
5	Replacement of 33 KV lines Rabbit conductor by Coyote conductor	20.00	
7	NJY	231.76	
	RLMS	18.96	
8	Providing infrastructure to Un authorized IP Sets	336.00	
9	Metering Programme	42.10	
	Metering of DTCs	7.50	
11	RAPDRP	100.00	
12	Service connections	15.00	
13	Replacement of failed DTCs by new ones	82.00	
14	Civil Engineering works	15.00	
15	Construction of new stations and lines and augmentation of 33 KV stations	70.00	
16	Electrification Hamlets/Villages	1.00	
17	Energisation of IP Sets	55.50	
18	Electrification of Hamlets/HBs/JCs/Thandas Kuteer Jyothi, SCP,	4.00	
27	T&P and Computers	3.00	
28	Other works including Safety measures fund, Local Planning,	9.00	

	Formation of ALDC, Spill over works etc.		
30	Smart grid sprinkler, energy efficient motors, drip irrigation, establishing ALDC SCADA, IT initiatives etc.	17.40	
	Replacement of power transformers, failed and old 33 KV stations equipments	12.00	
Total		1189.22	

In order to facilitate prudence check of the capex incurred by HESCOM, the HESCOM is required to furnish the details of works costing Rs.10.00 lakhs and above and less than Rs.10.00 lakhs 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:

On Page No. 104 and 105, HESCOM has proposed a capital expenditure of Rs.797.5 Crores for FY15 as detailed below. HESCOM is to furnish the funding details for the works proposed. Further, HESCOM should chalk out a proper plan of execution of the works in order to achieve the targets as envisaged in the capital investment plan of FY15.

The HESCOM has shown a sub total on Rs.231 Crores for the expansion and improvement works in FY15 and needs to furnish the details of the type of the works taken up and whether, the feeders having more than 30% 11kV line loss has been taken on priority to augment, bifurcate or any other improvements.

SL No	Scheme	Unit	FY15 Financial
1	Mandatory works, Social obligation and other works		
a	Gangakalyan IP sets *	Nos.	50
b	Electrification of Hamlets(Not covered under RGGVY) *	Nos.	1
c	Electrification of HB/DB/JC/AC (Habitations) under SCP (Not covered under RGGVY) *		0.5
d	Electrification of TC(Habitations) under TSP * (Not covered under RGGVY)		0.5
e	Electrification of BPL Households * (Not covered under RGGVY)		1
f	Water works	Nos.	30
g	RGGVY	Nos.	-
h	Rehabilitation of flood affected villages(special programme).	Nos of Villages	10
	Sub - total		93
2	Expansion of network and system improvement works.		0
a	E & I works.		50
b	Energisation of IP sets under general. *	Nos.	40
c	Service connections other than IP/BJ/KJ/Water works. *	Nos.	35
d	Construction of new 33 KV stations and lines. *	Nos.	8
e	Augmentation of 33 KV stations.	Nos.	8
f	Construction of 11 KV lines for 33 KV / 110 KV sub-stations.	Kms	40
g	Nirantar Jyoti Yojana.	Nos.	50
h	R- APDRP.	Nos of Towns	0
ii	Sub - total		231
3	Reduction of T & D and ATC loss		0
a	Providing meters to un-metered IP sets.	Nos.	7.5
b	Providing meters to un-metered BJ/KJ installations.	Nos.	15
c	Replacement of faulty / MNR energy meters by static meters.	Nos.	10
d	Replacement of more than 10 year old electromechanical energy meters by static meters.	Nos.	15

e	DTC's metering (Other than APDRP)	Nos.	10
f	Replacement of 33 KV lines Rabbit conductor by Coyote conductor.	Kms	10
g	Replacement of 11 KV lines Weasel conductor by Rabbit conductor.	Kms	8
h	Replacement of age old LT conductor by Rabbit conductor.	Kms	20
i	HVDS (Pilot project for 1 district/year)		200
iii	Sub - total		295.5
4	New initiatives works		0
a	IT initiatives, automation and call centre		10
b	Installation of energy efficient motors		1
c	Smart grid/sprinklar/drip irrigation system		1
d	Establishing ALDC & SCADA.		-
iv	Sub - total		12
5	Replacement and other miscellaneous works		0
a	Replacement of failed distribution transformers. *	Nos.	80
b	Replacement of Power Transformers.	Nos.	5
c	Replacement of old and failed equipment's and other works of existing 33 KV stations and lines.		3
d	Preventive measures to reduce the accidents. (Providing intermediate poles replacement of detoriated conductor, DTC earthing etc.)		10
e	T&P materials.		3
g	Creating infrastructure to UAIP Sets		45
h	Civil Engineering works.	Nos.	20
v	Sub - total		166
Total (i+ii+iii+iv+v)			797.5

6) Depreciation:

HESCOM is required to furnish data of depreciation on account of capital assets created by consumer contribution and grants for FY13 and FY14. Further, gross fixed assets and net fixed assets claimed in Format D15 and D16 for FY13 does not tally with the figures indicated in the audited accounts

7) Other Debits:

The other debits claimed for FY13 as per format D11 include provision of Rs. 3.14 Crs for bad and doubtful debts whereas the closing balance in the accounts under Note 18 indicates a credit balance of 88.90 Crs and provision for withdrawal of revenue demand of Rs. 8.78 Crs is indicated under Note 22. HESCOM shall clarify the claims of other debits for FY13.

8) Return on Equity:

The Balance Sheet for FY13 indicates an additional amount of Rs.124.00 Crores under share capital. HESCOM is required to furnish details of the same including date of infusion.

9) Observations on D21:

It is observed that, HESCOM in its format D21 has indicated an average load of 24.49 HP for installations under LT4(c) (i) and 70.58 HP for installations under LT5 (more than 40 HP and less than 67 HP). Further, the average sanctioned load of 23.44KW is indicated for LT (6) Streetlight installations. The average consumption in the first slab of LT3 category (first 50 units) is indicated as 70 units. HESCOM needs to clarify these observations.