

KARNATKA ELECTRICITY REGULATORY COMMISSION
BANGALORE-560 001

Dated this 29th day of November 2005

Present:	Shri K.P.Pandey Shri H.S.Subramanya Shri S.D.Ukkali	Chairman Member Member
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In the matter of:

Approval of split ERC of MESCOM and CESC for financial Year 2005-2006 (FY06)

No.B/06/5

Dated 29th November 2005.

ORDER

1. In the Tariff Order dated 27th September 2005, the Commission had approved the Expected Revenue from Charges (ERC) of Mangalore Electricity Supply Company (MESCOM) for FY06. In para 12.4 (page 345) of the said Order, the Commission had observed that the ERC filing of MESCOM includes the ERC of Chamundeshwari Electricity Supply Corporation (CESC) also and that while providing additional information on the ERC, MESCOM had furnished split figures for MESCOM and CESC but the same was not complete as required under the Tariff Regulations. Hence the Commission had directed in the said order that MESCOM and CESC shall provide break up details for the ERC approved for FY06 and obtain approval of the Commission for the same within one month of the said order.
2. Accordingly the CESC has filed the split ERC vide letter dated 29th October 2005 duly signed by the authorised signatories of CESC and MESCOM.
3. The basis of splitting the ERC figures between MESCOM and CESC, as furnished in the split ERC, are discussed below:

- i) **Input Energy:** Against the approved Energy Input of 6264 MU for FY-06 (Table-3.47 of Tariff Order 2005), in the split ERC 2936 MU has been apportioned to MESCOM and 3328 MU to CESC.
- ii) **Energy Sales and Distribution Losses:** Against the approved sales of 4980 MU, in the split ERC the sales by MESCOM has been indicated as 2480.30 MU and by CESC as 2490.44 MU and the balance of 9.26 MU has not been allocated to any of the two ESCOMs stating that the marginal impact of additional sales and revenue has not been considered while splitting the ERC. Similarly, as against the approved distribution loss of 20.50 %, the losses have been shown as 15.52% for MESCOM and 25.17% for CESC, totalling to a loss of 20.65% in the split ERC. It is stated in the split ERC that the losses have been allocated based on the actual division-wise data for FY05 in respect of metered and un-metered energy sales. The Commission allocates the additional sales of 9.26 MU between MESCOM and CESC in the ratio of the above sales (i.e 4.62 MU to MESCOM and 4.64 MU to CESC) and accordingly the approved loss level for FY06 shall be 15.36% for MESCOM and 25.03 % for CESC.
- iii) **Capital Investment Programme:** The Commission has approved a capital investment of Rs.360.50 crores for both MESCOM and CESC for FY06. In the split ERC, Rs. 170.58 crores has been apportioned to MESCOM and Rs.189.92 crores to CESC. The break up of scheme-wise details is furnished in Annexe-1.
- iv) **Metered Sales:** Approved Metered Energy Sales for FY-06 has been bifurcated proportionately in the ratio of actual sales of the two entities (based on division wise data) for FY-05. However, in respect of HT-2a category, the projected reduction in energy sales consequent to proposed closure of KIOCL plant at

Kudremukh during 2005-06 has been taken into account while bifurcating the approved sales figures of HT-2a category.

Table-1
Metered Sales (MU)

Category	Approved by KERC	MESCOM portion	CESC portion
LT-2a	1027.79	611.27	416.52
LT-2b	6.35	4.04	2.31
LT-3	206.57	130.24	76.33
LT-4 c	1.77	1.48	0.29
LT-4 d	3.96	3.55	0.41
LT-5	212.40	115.28	97.12
LT-6 a & b (Water Supply)	172.39	72.55	99.84
LT-7	6.71	3.83	2.88
HT-1	313.74	42.55	271.19
HT-2a	944.13	655.79	288.34
HT-2b	141.37	104.82	36.55
HT-3 a & b	1.69	0.43	1.26
HT-4	50.72	44.81	5.91
Total	3089.59	1790.64	1298.95

- v) **Un-metered Sales:** The unmetered sales in respect of BJ/KJ and IP set categories have been bifurcated duly considering a) FY-05 actuals of the divisions coming under the two entities and b) the assessment approved in the tariff order. In respect of street light category the approved energy sales has been bifurcated in the ratio of FY-05 consumption.

Table-2
Un metered sales (MU)

Category	Approved by KERC	MESCOM portion	CESC portion
LT-1 (a) – BJ/KJ	55.99	21.63	34.36
LT-4 (a) & (b)	1640.16	603.20	1036.96
LT-6 (a) & (b) (Street Lights)	185.00	64.83	120.17
Total	1881.15	689.66	1191.49

- vi) **Revenue from sale of power:** The Commission had approved revenue from sale of power as Rs.1522.70 crores for both the entities put together. Based on the actuals for FY05, the allocation of revenue to MESCOM is Rs.841.46 crores and to CESC it is Rs. 681.24 crores.
- vii) **Other Income:** A sum of Rs. 6.04 crores was approved as Other Income. The split figures allocable to MESCOM & CESC are Rs. 2.39 crores and Rs.3.65 crores respectively.
- viii) **Revenue towards additional Sales:** In the split ERC, the revenue towards additional sales of 9.26 MU consequent to reduction in the approved distribution loss has not been considered stating that it has marginal impact. The Commission has worked the additional revenue on this account of as Rs.3.29 crores in the Tariff order 2005 and the same is now apportioned to MESCOM as Rs.1.64 crores and Rs.1.65 to CESC in proportion to the additional sales to be realised.
- ix) **Power Purchase Cost:** This has been worked in the split ERC based on the rates approved by the Commission for FY-06 as per table No. 3.48 of the Tariff Order 2005. The power purchase and transmission charges allocated to MESCOM and CESC are indicated below:

Table-3

Power Purchase cost

Rs. crores

Particulars	MESCOM	CESC	Total as appd. by KERC in T.O.2005
Power purchase cost	585.10	695.18	1280.28
Transmission Charges	57.02	64.63	121.65
Total	642.12	759.81	1401.93

- x) **Expenses:** Expenses towards Repairs & maintenance, A & G Expenses, Employee Cost, Depreciation, & other debits have been bifurcated proportionately in the ratio of the actual

expenses for FY05. While the Interest and Finance Charges have been allocated equally between the two companies, the Provision for taxation has not been allocated to CESC and the entire approved amount has been allocated to MESCOM. The return on Equity has been apportioned considering Equity plus Reserves of the two ESCOMs. The split figures of expenses of MESCOM and CESC are as under:

Table-4
Expenses Rs. Crs.

Particulars	MESCOM	CESC	Total as appd. by KERC in T.O.2005
Repairs & maintenance	8.58	9.99	18.57
Employee Cost	82.41	88.33	170.74
A & G Expenses	16.60	10.63	27.23
Depreciation	41.69	41.29	82.98
Int. & Fin. Charges	16.70	16.70	33.40
Other Charges/ Debit	0.43	4.36	4.79
Net prior Period Credits/ Debits	1.12	0.57	1.69
Provision for Taxation	1.40	0	1.40
Return on Equity	18.89	1.98	20.87

4. Based on the above allocation of income and expenditure, the Commission hereby approves the split ERC of MESCOM and CESC. The Consolidated ERC figures of MESCOM and CESC for FY06 are furnished in Annexe-2 of this Order.
5. **Average Cost of Supply:** Considering the approved split ARR, the average cost of supply for FY06 in respect of MESCOM and CESC would be as under:

Table-5
Average Cost of Supply

Particulars	MESCOM	CESC
Net Annual Revenue Requirement (Rs. Crs.)	827.55	930.01
Sales in MU (excluding Adl.Sales)	2480.30	2490.44
Average Cost of Supply-Rs./unit	3.34	3.73

6. **Revenue Gap for FY06:** As per the approved split ERC, the Revenue Gap for FY06 is as under:

Table-6
Revenue Gap for FY06 Rs. Crs.

Particulars	MESCOM	CESC
Total Expenditure including Return	829.94	933.66
Less Other Income	2.39	3.65
Net Revenue Requirement	827.55	930.01
Revenue from sale of Power (including addl. Sales)	843.10	682.89
Surplus/(-)deficit before subsidy	15.55	(-) 247.12

7. **Subsidy Allocation:** As stated in Tariff Order 2005, the Commission has not worked out the revenue gap of the ESCOMs after tariff rationalisation for want of adequate data for FY06. For the purpose of release of subsidy by GoK, the Commission has accepted the subsidy allocation of Rs. 203.02 crores to MESCOM. As per the split ERC, while MESCOM has a surplus of Rs.15.55 crores CESC has a deficit of 247.12 crores, before subsidy. Therefore the entire subsidy amount of Rs.203.02 crores, earlier allocated to MESCOM & CESC, is now allocated to CESC, for the purpose of release of subsidy from GoK.
8. This Order is signed, dated and issued by the Karnataka Electricity Regulatory Commission at Bangalore on thisday of November 2005.

Sd/-
(K.P.Pandey)
Chairman

Sd/-
(H.S.Subramanya)
Member

Sd/-
(S.D.Ukkali)
Member

Annexe-1

Capital Investment Programme for 2005-06.

	Particulars	Rs. in crores		
		Approved by KERC	MESCOM	CESC
1	SYSTEM AUGMENTATION & STRENGTHENING			
A	Extension & Improvement works including ATL works	70.00	38.89	31.11
B	APDRP and Rural Load Management system (RLMS) works 0	99.00	55.00	44.00
C	33 KV Station work	10.00	7.50	2.50
D	Service Connection	30.00	16.67	13.33
E	Replacement of failed Distribution Transformers	4.00	2.22	1.78
	Sub Total	213.00	120.28	92.72
2	Rural Electrification (General)			
A	Electrification of Hamlets/Janatha Colonies etc	8.40	4.67	3.73
B	Energization of IP sets(including regularization of un-authorized IP sets	83..35	20.84	62.51
C	Kutir Jyothi	11.25	6.25	5.00
	Sub Total	103.00	31.76	71.24
3	Special Component Plan(SCP)			
A	Electrification of Dalith Basthies/Tandas etc.	1.56	0.87	0.69
B	Energisation of IP sets	15.80	3.95	11.85
C	Kutir Jyothi	2.14	1.19	0.95
	Sub Total	19.50	6.01	13.49
4	Tribal Sub-Plan(TSP)			
A	Electrification of Tribal colonies	0.28	0.16	0.12
B	Energization of IP sets	2.84	0.71	2.13
C	Kutir Jyothi	0.38	0.21	0.17
	Sub Total	3.50	1.08	2.42
5	Metering Programme	15.00	8.33	6.67
6	Tools, Plant and Computer	3.00	1.66	1.34
7	Civil Engineering works	3.50	1.46	2.04
	TOTAL	360.50	170.58	189.92

Annexe-2

Approved Split ERC of MESCOM & CESC for FY06

Particulars	Unit	Approved by KERC	MESCOM	CESC
Energy Purchases	MU	6264.00	2936.00	3328.00
Energy Sales	"	4970.74	2480.30	2490.44
Additional Sales	"	9.26	4.62	4.64
Sales including Addl Sales	"	4980.00	2484.92	2495.08
Distribution loss	%			
Revenue	Rs Crs			
Revenue from sale of power		1522.70	841.46	681.24
Other Income		6.04	2.39	3.65
Total Revenue		1528.74	843.85	684.89
Expenditure	Rs Crs			
Power Purchase		1280.28	585.10	695.18
Transmission charge		121.65	57.02	64.63
Repairs & Maintenance		18.57	8.58	9.99
Employee cost		170.74	82.41	88.33
A & G Expenses		27.23	16.60	10.63
Depreciation		82.98	41.69	41.29
Interest & Finance charges		33.40	16.70	16.70
Less Expenses Capitalised		0.00		
Other charges/Debits		4.79	0.43	4.36
Net prior period credits/Debits		1.69	1.12	0.57
Provision for taxation		1.40	1.40	0.00
Add Return equity 12%		20.87	18.89	1.98
Total Expenses		1763.60	829.94	933.66
Less: Other income		6.04	2.39	3.65
Net ARR		1757.56	827.55	930.01
Average Cost		3.54	3.34	3.73
Revenue from Sale of Power		1522.70	841.46	681.24
Surplus/-Deficit before subsidy		234.86	13.91	-248.77
Additional Revenue to be realised due to reduction in loss		3.29	1.64	1.65
Net Revenue (-)Gap/ +Surplus Before Subsidy		231.57	15.55	-247.12