

**Before the Karnataka Electricity Regulatory Commission, Bangalore**

**Dated 21<sup>st</sup> February 2005**

<b>Present:</b>	<b>Sri K.P.Pandey</b>	<b>Chairman</b>
	<b>Sri H.S.Subramanya</b>	<b>Member</b>
	<b>Sri S.D.Ukkali</b>	<b>Member</b>

**In the matter of subsidized Power Tariff Scheme to Power Loom Industries**

**O R D E R**

1. BESCOM in its letter-dated 30.12.04 has brought to the notice of the Commission that the GoK vide Order No.CI-70 Jakaie 2004 dated 9.11.04 2004 issued by Commerce and Industries Department have approved subsidized tariff to power loom industries in the state of Karnataka at the rate of Rs.1.25 per unit for the energy consumed by the power looms having a power connection up to 10HP & 10 looms. The order is effective from 2<sup>nd</sup> October 2004. According to the guidelines issued by the Govt along with the said GO, the electricity supply companies will levy subsidised tariff to the list of units provided by the Department of Handlooms & Textiles and the difference of amount between the present rate of power tariff and the subsidised power tariff will be claimed by the respective electricity supply companies from the Commissioner for Textile Development & Director Handloom Development and Textiles, once in six months.
2. The relevant provisions of the Electricity Act 2003(herein after called Act), governing the grant of subsidy by the Government in the tariff determined by the Commission are as under:

Section 65: "If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, in advance in the manner as may be specified, by the State Commission the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government,

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by State Commission shall be applicable from the date of issue of orders by the Commission in this regard."

3. According to the above provision of the Act, the state government shall pay in advance the amount to compensate the person affected by grant of subsidy as may be directed by the Commission and payment of subsidy in advance by the Government is a precondition for implementing the order of the Government. The Government has decided in the above GO to pay subsidy to the Electricity Supply companies in order to provide subsidised power tariff for the power looms.
4. BESCO has issued a circular on 27.12.2004 to implement the above said Government Order. According to this circular the difference in present tariff and the subsidized tariff shall have to be claimed by BESCO from the Commissioner for Textiles Development and Director of Handlooms and Textiles once in six months. Therefore, the Commission observes that the said Circular issued by BESCO for implementation of the above GO, without recovering the subsidy amount in advance is not in accordance with the provisions of the Act.

5. As per letter dated 19.01.2005 of the Commissioner of Textile Development and Director Handlooms & Textiles, addressed to HESCO, it is indicated that the amount towards the subsidized tariff to handloom industries would be released in advance on a quarterly basis after verification of details by HESCO.
6. The Secretary to Government, Commerce and Industries Department vide letter dated 29.01.2005 has requested the Commission to fix the tariff of Handloom power looms at Rs.1.25 per unit with effect from 2.10.2004. It is stated therein that the difference between the present tariff and the subsidized tariff would be provided to ESCOMs by the department. The Commission observes that there is no need to refix the tariff already determined by the Commission and the requirement under the Act is that the government has to release the subsidy due on this account in advance in the manner specified by the Commission.
7. Under the provisions of Section 65 of the Act, the Commission hereby specifies the manner of payment of subsidy required for implementation of the above said GO as follows:
  - a. ESCOMs shall claim from Commissioner of Textile Development and Director Handlooms & Textiles, GOK the amount of subsidy in advance of each quarter based on the average consumption of the eligible power loom installations in the preceding six months. The claim shall be made one month in advance of each quarter.
  - b. The Commissioner of Textile Development and Director Handlooms & Textiles, GOK shall release the payment of subsidy to the ESCOMs one week in advance of commencement of each quarter.

- c. In case the subsidy amount is not released in advance by the GOK for any quarter as above, the normal tariff as has been determined by the Commission shall be applicable for that quarter in terms of proviso to section 65 of the Act
- d. In the bills raised on the consumers by the ESCOMS, the bill as per the tariff fixed by the Commission, the amount of subsidy provided by the Government and the net amount of the bill due by the consumer shall be shown distinctly. The same shall be accounted accordingly in the consumer ledger and the DCB of the ESCOMS.
- e. Any excess/short claim of subsidy for each quarter based on estimated consumption shall be adjusted in the subsequent quarter based on actual consumption.
- f. Since the government has ordered grant of subsidy retrospectively from 2.10.04, subsidy amount due from 2.10.04 upto the date of first advance claim shall be claimed by the ESCOMS based on actuals immediately and the same shall be released by the government within 15 days of receipt of claim.
- g. The same procedure, as indicated above, shall be followed by Hukkeri Rural Electric Co-operative Society also.

Sd/-  
**S.D.Ukkali**  
**Member**

Sd/-  
**H.S.Subramanya**  
**Member**

Sd/-  
**K.P.Pandey**  
**Chairman**