

Date: 12th January 2008

To

The Editor
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.....
Bangalore

Sir,

A press note in respect of BESCO Tariff Order for FY08 issued by the Commission on 11.01.2008 is enclosed herewith.

Thanking you
Yours faithfully

Secretary

KARNATAKA ELECTRICITY REGULATORY COMMISSION

BANGALORE

Date: 12th January 2008

PRESS NOTE

BESCOM CONSUMERS' TARIFF REDUCED.

KERC APPROVES BESCOM'S ERC /ARR FOR FY08 TO FY10 UNDER MULTI-YEAR TARIFF (MYT) FRAMEWORK AND APPROVES REVISION OF RETAIL SUPPLY TARIFF to BESCOM CONSUMERS VIDE TARIFF ORDER DATED 11.01.2008

Agricultural tariff reduced for metered IP sets to encourage metering.

1. BESCOM's Annual Revenue Requirement (ARR) & Tariff Applications

The Bangalore Electricity Supply Company (BESCOM) had filed its Annual Revenue Requirement for the first control period FY08, FY09 & FY10 under MYT frame work (ARR) on 30.11.2006. The proposed ARR and the revenue gap is as follows:

Table:

Particulars	FY08	FY09	FY10
Revenue	5854.09	6861.97	7990.10
Net Annual Revenue Requirement	7,383.82	8,132.62	9,325.14
Gap in Revenue	1548.55	1290.11	1355.79

As per MYT Regulations of the Commission, BESCOM shall have to file application for determination of Tariff for the first year of the control period (i.e FY08) along with MYT filing. As BESCOM did not file the tariff application despite indicating a gap, the Commission directed BESCOM to explain as to how the gap would be met and in case tariff revision is

envisaged, to file the tariff application for FY08. After protracted correspondence BESCO filed its application for revision of tariff on 7.6.2007.

2. Tariff Proposals of BESCO

In the Tariff application, BESCO had proposed to increase the tariff by 90 paise per unit to all the consumers except BJ/KJ and Irrigation pump sets. With this, BESCO proposed to raise additional revenue of Rs.1091.24 Crores leaving a uncovered gap of Rs.115.01 Crores to be treated as Regulatory Asset.

The Commission has validated the ARR and Tariff application of BESCO duly observing the procedure laid down under law. The stakeholders have been consulted through calling for objections and also through public hearings to elicit their views on the proposed ARR and tariff.

KPTCL's Appeal to ATE on Transmission Tariff:

KPTCL had challenged the Commission's Transmission Tariff order dated 6.7.2007, before the Hon'ble Appellate Tribunal for Electricity (ATE) New Delhi in Appeal No.100 Of 2007. Since the transmission tariff will have a direct impact on the retail tariff of BESCO, the Commission had to await the disposal of KPTCL Appeal by the Hon'ble ATE. The said appeal was disposed of by the Hon'ble ATE on 04.12.2007 and in compliance with the said order the Hon'ble ATE the Commission has issued supplementary Transmission Tariff order of KPTCL on 31.12.2007. The Commission now has approved the BESCO's ERC and Tariff in terms of the revised Transmission Tariff approved for KPTCL on 31.12.2007.

Truing up of financials of the previous years:

With a view to start the MYT regime with a clean slate, the Commission has undertaken a truing up exercise of the financials for FY03 to FY06 and has found out a surplus of Rs.258.18 Crores (which includes carrying cost). Since this surplus is substantial, the same has been spread over and adjusted for all the three years of the control period.

Approved ERC/ARR of BESCO

After complying with the procedures laid down under law, the Commission has approved the Annual Revenue Requirement for the first control period as follows:

Rs.in Crores

ARR AS PROPOSED			ARR AS APPROVED		
FY08	FY09	FY10	FY08	FY09	FY10
7402.74	8152.38	9345.88	5233.48	6504.26	7690.54

The major disallowance in the ARR is in respect of power purchase cost. While BESCO had proposed an amount of Rs.5707.30 Crores, the Commission, after considering the approved energy sales and allowable T & D loss has approved an amount of Rs.4360.78 Crores, disallowance Rs.1346.52 Crores. The difference in power purchase cost is mainly due to favourable hydro-thermal mix in FY08 due to good monsoon.

Average Cost on Approved ARR

As per the approved ARR the average cost of supply in BESCO would be Rs.3.29 per unit for FY08. The average cost as per the existing tariff (Tariff Order 2005) is Rs.3.56 per unit. For FY09 & FY10 the same is Rs.3.63 per unit and Rs.3.76 per unit respectively. Thus, as per this tariff order the average cost for FY08 has come down by 27 paise per unit.

Salient features of the Tariffs Order

Different Tariff to BESCOM consumers

The Commission is determining tariffs for each ESCOM separately. Hence the tariff now determined in the Order dated 11.01.2008 relates to BESCOM and is applicable to the consumers of BESCOM only.

During September 2005 the Commission had already introduced differential Tariff for Urban and Rural areas of all the ESCOMs considering the fact that quality of power supply is not the same in urban and rural areas and the same is continued in this order as well. (The Tariff Order dated 16.10.2006 for FY07 is stayed by the Hon'ble ATE in an Appeal. Hence this order is based on the figures of Tariff Order for 2005.

In the Tariff Order 2005 tariff order, the Commission had introduced different fixed charges for urban and rural areas. In the present order also, while continuing the different fixed charges, the Commission has further introduced lower energy charge for urban and rural area consumers in order to provide greater relief to consumers considering the quality of supply in rural areas.

Relief to Consumers

The year 2007 – 08 is one of the best years with high-energy availability from Hydro Stations. Keeping in view the surplus funds in BESCOM, the Commission has extended relief to all the consumers of BESCOM, by way of reduction of energy charges by 5 to 25 paise per unit. The details of existing tariff and the revised tariff are enclosed to this press note.

Keeping in view that the quality of power supply is not the same as in BBMP area, the Commission has reduced the tariff in other urban areas/rural areas as follows in the present order:

- ▶ Bhagya Jyothi/ Kutir Jyothi tariff reduced by 35 paise/ unit.
- ▶ For Domestic consumers in Village Panchayat areas Energy charge reduced by 20 paise per unit.

Special Incentive Scheme

Special Incentive Scheme for HT industries has been continued in BESCOM at a reduced rate of 355 paise per unit as against 3.80 paise per unit earlier.

Open Access Charges

The wheeling charges and cross subsidy surcharge have been determined by the Commission in this order to enable consumers to avail open access.

TOD Tariff: Penalty for usage of power by industry during morning peak (between 09 Hrs to 12Hrs) under TOD tariff has been removed.

Solar Rebate increased:

For use of Solar heaters the Commission has increased the rebate from the existing 40 Paise to 50 paise per unit subject to a ceiling of Rs.50 per month.

High Voltage Rebate:

For high Voltage consumers high voltage rebate is enhanced.

Seasonal Industries;

To grant relief mainly to rice millers, off season facility has been enhanced from the existing 3 months to 6 months. This facility would be applicable to all seasonal industries.

With the above reduction of tariff there will be revenue impact of Rs.257 Crores to BESCO for FY08.

The Commission thanks all the stakeholders including the ESCOMS, MPs, MLAs, MLCs & the consumers for their valuable suggestions in the Tariff determination process.

The Press and the Electronic Media had actively participated in all the hearings through out the State and had given wide publicity to the proceedings. This enabled many consumer fora / individuals across the State to participate in the Tariff determination proceedings. The Commission therefore thanks the Press / Electronic Media and all those who participated in the Tariff determination proceedings.

The New Tariff will come into effect from 1st February 2008.

The Commission has engaged the services of M/s Pricewaterhouse Coopers (PWC) to assist it in validation of the present ERC and Tariff filing.

The existing and the revised Tariff now approved by the Commission is given in the table below:

(Paise per unit)

Sl.No.	Areas	Categories	Existing	Now Revised	Reduction
1	Urban Areas (BBMP & City Corporation areas)	Domestic (All slabs)	185 to 470	185 to 450	20 to 30
2	Other Urban areas	- do -	185 to 460	185 to 435	25 to 35
3	Rural areas	- do -	185 to 460	185 to 430	20 to 40
4	Rural areas	Apartments	320	300	20
5	BBMP and City Corporation areas	Commercial	505 to 600	480 to 560	25 to 40
6	Urban areas	- do -	505 to 600	470 to 550	35 to 50
7	Rural areas	- do -	505 to 600	460 to 540	45 to 60
8	BBMP & Corporation areas	LT Industrial	330 to 405	310 to 375	20 to 30
9	All other areas	- do -	330 to 405	300 to 365	30 to 40
10	BBMP & Corporation areas	HT Industrial	380 to 430	355 to 395	25 to 30
11	Other areas (other than BBMP and Corporation areas)	- do-	380 to 430	345 to 385	35 to 50
12	For all areas	IP Sets (metered)	40	25	15
		IP Sets (Unmetered)	40	40	-

SECRETARY
KERC

Note: Full text of the Tariff Orders are available on KERC website www.kerc.org.