

KARNATAKA ELECTRICITY REGULATORY COMMISSION

NO.9/2 M.G.ROAD, BANGALORE-560 001

DATE: 22-01-2008.

PRESS RELEASE

REDUCTION IN MESCOM CONSUMERS' TARIFF

KERC APPROVES MESCOM'S ERC /ARR FOR FY08 TO FY10 UNDER MULTI-YEAR TARIFF (MYT) FRAMEWORK AND APPROVES REVISION OF RETAIL SUPPLY TARIFF TO MESCOM CONSUMERS FOR FY08.

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

The Mangalore Electricity Supply Company (MESCOM) had filed its Annual Revenue Requirement for the first control period FY08, FY09 & FY10 under MYT framework (ARR) on 19.12.2006. The proposed ARR and the revenue gap is as follows:

Table:

Rs. In Crores

Particulars	FY08	FY09	FY10
Revenue	777.84	861.21	947.75
Net Annual Revenue Requirement	1240.95	1292.98	1432.30
Gap in Revenue	463.11	431.77	484.55

As per MYT Regulations of the Commission, MESCOM shall have to file application for determination of Tariff for the first year of the control period (i.e FY08) along with MYT filing. Since MESCOM did not file the tariff application despite indicating a gap, the Commission directed it to explain as to how the gap would be met, and to file the tariff application for FY08 if tariff revision is required. After prolonged correspondence, MESCOM filed its application for revision of tariff on 7.6.2007.

2. MESCOM's Tariff Proposal for FY08.

MESCOM had proposed a tariff increase of 90 paise per unit for all the consumers except BJ/KJ and Irrigation pump sets. With this, MESCOM proposed to raise additional revenue of Rs.164.97 Crs leaving an uncovered gap of Rs.103.10 Crs. (After considering allocated subsidy of Rs.195.04 Crs. By GOK) to be recovered in subsequent years.

The Commission has validated the ARR and Tariff application of MESCOM 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.

3.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 MESCOM, the Commission had to await the disposal of KPTCL's Appeal by the Hon'ble ATE. The said Appeal was disposed of by the Hon'ble ATE , on 4.12.2007 and in compliance with the said order of the Hon'ble ATE, the Commission has issued supplementary Transmission Tariff order of KPTCL on 31.12.2007. With reference to the revised transmission tariff approved for KPTCL, MESCOM's ERC and Tariff have now been approved in this Order.

4.Truing up of financial 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 financial from FY03 to FY06 and has found out a surplus of Rs.202.98 Crs (which includes carrying

cost). Since this surplus is substantial, the same has been spread and adjusted over the three years of the control period.

5. Approved ERC/ARR of MESCOM

After complying with the procedures as per 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
1240.95	1292.98	1432.30	873.08	1004.75	1155.58

The major disallowance in the ARR for FY08 is in respect of power purchase cost. While MESCOM had proposed an amount of Rs.940.03 Crs, inclusive of transmission charges, the Commission, after considering the approved energy sales, transmission charges and allowable T & D loss, has approved an amount of Rs.686.91 Crs. The difference in power purchase cost is mainly due to favourable hydrothermal mix in FY08 due to good monsoon.

6. Average Cost on Approved ARR :

As per the approved ARR, the average cost of supply in MESCOM would be Rs.3.31 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.3.50 and Rs.3.71 per unit respectively. Thus, as per this tariff order, the average cost for FY08 has come down by 25 paise per unit.

7.Salient features of the Tariff Order:

Different Tariff to MESCOM consumers

The Commission has determined tariffs for each of the ESCOMs separately. Hence, the tariff now determined for MESCOM is applicable to MESCOM's consumers only.

The Commission had also introduced in Tariff Order 2005, different tariffs to urban & rural areas 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.

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

8.Relief to Consumers

The year 2007 – 08 is one of the good years with high-energy availability from Hydro Stations. Keeping in view the surplus funds in MESCOM, the Commission has extended relief to all the consumers of MESCOM, by way of reduction of energy charges by 5 to 35 paise. The details of existing tariff and the revised tariff are enclosed to this press note.

Considering that, the quality of power supply in other urban/rural areas is not the same as in City areas, the Commission has marginally reduced the tariff in other urban areas/rural areas.The reduction in tariff rates in brief is as follows :

- ▶ Bhagya Jyothi/ Kutir Jyothi tariff reduced by 24 paise/ unit.

- ▶ For Domestic consumers in Urban areas, the reduction is 5-10 paise per unit and in Village Panchayath areas Energy charge is reduced by 10 to 20 paise per unit.

9.Special Incentive Scheme :

Special Incentive Scheme for HT industries has been continued in MESCOM at a reduced rate of 355 paise per unit as against the earlier tariff of 380 paise per unit.

10.Open Access Charges :

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

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

12.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.

13.High Voltage Rebate:

For high Voltage consumers, high voltage rebate is enhanced.

14.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.

The revised tariff would enable MESCOM to recover full cost of power from consumers, duly utilizing the subsidy from GOK for subsidized power to BJ/KJ and IP sets.

The Commission thanks all the stakeholders including the MESCOM, MPs, MLAs, MLCs & the consumers for their active participation in the tariff proceedings.

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. The Commission thanks the Press and the Electronic Media.

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 new tariff will come into effect from 1st February, 2008.

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

(Paise per unit)

Sl.No.	Areas	Categories	Existing	Now Revised	Reduction
1	All areas of MESCOM	BJ/KJ	355	331*	* Fully subsidized by the GOK (24 paise reduced)
2	City Municipal Corporation areas of MESCOM	Domestic (All slabs)	185 to 470 in 6 Slabs	185 to 470 in 6 Slabs	5 Ps reduced in 2 nd Slab
3	Other Urban areas	- do -	185 to 460 in 6 Slabs	180 to 455 in 6 Slabs	5-10
4	Rural areas	- do -	185 to 460 in 6 Slabs	165 to 450 in 6 Slabs	10 to 20

5	Rural areas	Apartments	320	300	20
6	Urban local bodies including City Municipal Corporation areas	Commercial	505 to 600	495 to 590 in 2 Slabs	10
7	Rural areas	- do -	505 to 600	485 to 580 in 2 Slabs	20
8	All areas of MESCOM	LT Industrial	330 TO 405	315 to 390 in 3 Slabs	15
9	All areas of MESCOM	HT Industrial	380 to 430 in 2 Slabs	355 to 395 in 2 Slabs	25 to 35
10	For all areas	IP Sets (metered)	40	30/40 in 2 Slabs	10 in 1 st slab
		IP Sets (Unmetered)	40	40	No Change

SECRETARY