

**PROCEEDINGS OF THE 15TH MEETING OF THE COMMISSION'S ADVISORY
COMMITTEE HELD ON 4TH APRIL 2006**

List of Members present, Members absent (with Notice/leave of absence) and Members absent (without notice) are as given in the Annex.

Sri H.S. Subramanya Member KERC chaired the meeting in the absence of the Chairman/KERC who had to attend to an urgent work.

The Chairman welcomed all the members of the Committee to the meeting and requested the new members to introduce themselves to the Committee. He also extended warm welcome to the new members.

The following subjects were taken up for discussion:

15.1 The minutes of the 14th Advisory Committee meetings were confirmed.

15.2 KPTCL's ERC for FY07:

The Chairman requested KPTCL to brief the Committee on its ERC & Tariff filing for FY07. He also informed that the Commission has already held a Public hearing on the said applications and a few members who are also members of the Advisory Committee took part in that hearing and have voiced their concerns which have been taken note of by the Commission. He requested the members to put forth their views/suggestions on the above applications and also requested the members who took part in the public hearing to provide additional points if any.

Sri V.G.Pandit, Controller of Accounts, representing KPTCL highlighted the main features of the ERC filed by KPTCL including the tariff increase sought and the capital investment programme of Rs.2700 crores proposed by KPTCL for FY07.

Sri Govindappa, Member informed that he has furnished additional information regarding over loading of power transformers as per IS 2024

and IS 6066 and requested the Commission to keep those details in view while taking a decision on the capex programme of KPTCL. He pointed out that even the capital programme of Rs.900 crores approved for FY06 has not been fully spent by KPTCL and therefore the programme for FY07 could be approved at the same level.

Sri M.G.Prabhakar Member, representing FKCCI, requested the Commission to take note of points raised by Sri Shankar Sharma of Mysore on the capex programme as well as ERC of KPTCL. He also stated that KPTCL's past performance should be kept in view while approving the capital programme and further added that public money should be gainfully employed. Sri Chandrasekhar Member suggested that KPTCL should ensure quality standards while execution of work by the contractors. He suggested that adequate human resources be put in place by KPTCL to oversee the capex programme for effective monitoring of the projects. In the absence of effective monitoring, the quality of work is likely to suffer in view of the fact that even the reputed contractors have no adequate manpower and entrusting work to them may result in sub-contracts being awarded by them.

Sri Vijaya Narasimha MD CESC stated that KPTCL & ESCOMs are complying with the requirement of Transparency Act and works are being awarded to reputed and qualified contractors and that the departmental engineers rigorously monitor the quality of work at every stage. He further added that in order to supply adequate, quality and reliable power to the consumers especially in the rural areas, there is a need to commission adequate stations and lines.

Sri Vishnuvardhan Reddy DF KPCL (representing MD KPCL) endorsed the views of KPTCL/ESCOM that, being a public utility, due procedures would

be followed in preparing the estimates, tendering and awarding the works to prudently incur the expenditure by following the Transparency Act.

Sri Kaushik Member, (Secretary Department of Food & Civil Supplies, GoK) suggested that KPTCL should meet the extra burden from its own resources to the extent possible instead of passing on the burden to the paying consumers. He also suggested that any extra burden should be equitably distributed to all the consumers instead of passing on the burden only on the paying consumers.

Sri Sathyapremkumar Member, (President KPTCL Engineers Association) stated that having due regard to the apprehension expressed by the Members on the capex programme of KPTCL, in order to ensure quality and reliable power supply to all, KPTCL has proposed the capex programme along with the action plan. The Expert Committee appointed by the Commission has also made in depth study of the KPTCL's requirement and has made suitable recommendations. Therefore he requested the Commission to consider KPTCL's proposals favourably duly prescribing conditions to ensure good quality of work.

Sri Kaushik opined that if any consumer is to be subsidised fully or partly the government shall take a decision and that KPTCL and ESCOMs should be freed from collecting cross subsidies from the consumers. He also invited the attention of the Commission to relevant clauses of GoI's Tariff Policy regarding fixation of tariff without considering the subsidy from government and leaving the decision of extension of subsidy to any class of consumers, to the Government. Sri Vishnuvardhan Reddy suggested to work out a road map for elimination of cross subsidies within a definite time frame.

Sri Sathyanarayana Udupa Member, (Bahratiya Kissan Sangha Udupi) stated that consumers are not opposed to KPTCL taking up the huge capital work, but the burden should not be passed on to the consumers.

Sri Mahadevappa Vice President, KPTCL Employees' Union (representing President KPTCL Employees' Union) stated that for building adequate infrastructure the proposal to spend Rs.2700 crores may be considered favourably by the Commission.

Sri Venkatagiri Rao Member suggested that the Commission should institute studies to independently assess the requirement of capital expenditure and also on T&D loss reduction as required under the Tariff Policy.

Sri Chandrasekhar, Bhoruka Power reiterated that uninterrupted power is a must for all and every one should support the investments proposals made in this regard. But he suggested that while making investments, works have to be prioritised through ABC Analysis.

Sri A.S.Kulkarni, Citizen's Forum suggested that while approving the expenditure the Commission should specify conditions and there should be accountability on the part of officers at various levels.

15.2 **Discussion on Tariff Policy of Gol dated 6th January 2006** –The subject was deferred to the next meeting.

15.3 **Discussion on draft Regulations on MYT for transmission and distribution tariffs:** The subject was deferred to the next meeting.

15.4 **Discussions on Fixed Charges of Tanir Bavi Power Company:** The Chairman informed that the Hon'ble High Court has reverted back the subject to the

Commission for re-decision in the matter on the appeal filed by KPTCL and ESCOMs against the Tariff Amendment Order dated 15.12.03 in which order the Commission had decided not to pass on the additional FC payable as per the Arbitral Award to consumers. He requested the members to express their views in this regard.

Sri Govindappa suggested to examine whether the provisions of Electricity Act 1948, particularly the provisions of eighth and ninth schedules, were followed by KEB/KPTCL, while finalising the tariff in respect of TBPCL as, at the time of signing the contract the tariff determination should have been done under the provisions of Electricity Act 1948. If the same were followed, the Commission may consider allowing the expenditure.

Sri Satyanarayana Udupa stated that since no flaw in the earlier order of the Commission has been pointed out by the Hon'ble High Court, the Commission should reiterate its earlier stand and should not pass on the extra burden to the consumers. He added that if there is an error in the agreement signed between KPTCL and TBPCL, the consumer should not be made to pay the additional burden. He also opined that since the GoK has decided to pay the FC at 4 cents, the additional burden payable as per the Arbitral Award should be met by the Government through subsidy

The Commission clarified that the Hon'ble High Court has not found any flaw in Commission's Order but has only reverted back the subject to the Commission to reconsider its earlier decision in the light of the new arguments put forth before it.

Sri M.G. Prabhakar of FKCCI stated that the burden of additional fixed charge should not be passed on to the consumers.

Sri Koushik stated that if there is a sovereign agreement between the parties, the same should be honoured and there is no need to interfere with the contract as it would adversely impact future investments in the industrial sector. Sri Chandrashekar also endorsed this view and suggested that the impact of differential cost should be met by the Govt through subsidy if necessary.

Sri Satyapremakumar stated that since TBPCL is already getting its payment and the ESCOMs are burdened with this payment, the Commission should allow the ESCOMs to pass on the burden to the consumers. As an alternative the GoK should pay the amount as subsidy.

Other Subjects

(i) Annual Accounts of the Commission for the financial year 2005-06 were placed before the Committee and the Committee adopted the same.

(ii) Sri Prabhakar, FKCCI requested that action should be taken by the ESCOMs on the replacement of faulty trivector meters early as discussed in the previous meetings. In the matter of disconnection of installations for non-payment, he also requested the ESCOMs to issue a clear 15 days notice before disconnection, as per the provisions of Electricity Act 2003.

(iii) Sri Shankarikoppa Member requested the ESCOMs to enforce discipline in issuing and recovering the bills promptly from all the consumers including IP sets especially after waiver of the dues by the Govt for IP sets.

(iv) Sri Venkatagiri Rao and Sri Sathyanarayana Udupa informed that the matter of refunding/adjusting the amount paid by IP consumers prior to the date of waiver of dues by Govt is still pending with MESCOM, inspite of specific order by the Commission in Tariff Order 2005. MD/MESCOM

informed that KPTCL has sought clarification in the matter from Govt asking for additional subsidy of Rs.83 crores on this account and the matter is pending. The Advisory Committee felt that the amounts paid by the IP consumers prior to the date of waiver should be refunded/adjusted by the ESCOMs and necessary subsidy may be claimed by the ESCOMs from Govt as otherwise it would send wrong signals to the prompt payers affecting future payments.

The Chairman thanked all the members and the meeting was concluded.

Sd/-
Chairman

A/02/1

Dated 18th April 2006-04-19

Copy to: All the Advisory Committee Members
PS to Chairman/Member-1/Member-2/Secretary
Director (Tech)/ Director (Tariff)/TA to Chairman/Consultant CA
SFA/SEA/Consultant(Technical-I),(Technical-III)/
Dy.Director (DF),(Generation),(Distribution),(Legal)/AO/KTO

Secretary

Annex

Members present

1.	Mr.H.S.Subramanya,	Member-I
2.	Mr.S.D.Ukkali,	Member (Technical)
3.	Shri V.G. Pandith, Controller, (On behalf of MD, KPTCL)	Committee Member
4.	Finance Director, K.P.C.L. (on behalf of MD, KPCL)	Committee Member
5.	President, KEB Engineers Association,	Committee Member
6.	Mr. M.G.Prabhakar	Committee Member
7.	Mr. K.N.Venktagiri Rao	Committee Member
8.	Managing Director, Bhoruka Power Corpn. Ltd.,	Committee Member
9.	Shri Raghavendra Raju.	Committee Member
10.	President, KPTCL Employees Union	Committee Member
11.	Shri Govindappa,	Committee Member
12.	Shri Kannolli, Consultant on behalf of MD, GESCOM	Committee Member
13.	Secretary, Department of Food & Civil Supplies & Consumers Affairs.	Committee Member
14.	Shri M.S. Shankarikoppa.	Committee Member
15.	Shri A.S. Kulkarni.	Committee Member
16.	Shri Sathyanarayana Udupa	Committee Member

1	Shri Shaik Ahmed	Secretary, KERC.
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Member Absent (With Notice)

1	Mr. K.P. Pandey	Chairman
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Members Absent (Without Notice)

1	Shri Amaranath Patil	
2	Prakash Kashinath Rao Patil.	
3	Managing Director, BESCO.	

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