

B/08/5

20.04.2006

Managing Director,  
KPTCL/BESCOM/MESCOM/HESCOM/GESCOM/CESCorp.  
Bangalore/Bangalore/Mangalore/Hubli/Gulburga/Mysore

Sir,

Sub: Determination of cross subsidy surcharge

Ref: KERC letter no. B/08/5/173 dt. 01.02.06, KERC letter no. B/08/5/262 dt. 17.02.06 and  
KERC letter no. B/08/5/441 dt. 20.03.06

Inviting reference to the above subject, this is to bring to your notice that the Commission has already introduced the first phase of Open Access for consumers with CD of 15 MW & above and voltage level of 66 kV & above from 10<sup>th</sup> June 2005 and had fixed the cross subsidy surcharge at 115 paise per unit based on average cost of supply. The second phase of Open Access for consumers with CD of 5 MW & above and voltage level of 33 kV & above is scheduled from 1<sup>st</sup> April 2006.

The Commission had requested the ESCOMs to send their proposals for determination of cross subsidy surcharge for FY07 duly adopting the method indicated in the National Tariff Policy dated 6.1.2006. Since the ESCOMs have not given any proposal and in order to give effect to 2<sup>nd</sup> phase of open access, the Commission has proposed the cross subsidy surcharge provisionally based on the power purchase details approved for FY06 by adopting the methodology specified by Tariff Policy Gol. The Commission had invited comments from KPTCL/ESCOMS on the said proposal in the letter dated 20.03.06 and only BESCOM & HESCOM have responded.

BESCOM has concurred with KERC's proposed distribution network charges & network losses. However with regard to power purchase at margin, BESCOM has pointed out that Jindal is not supplying power to KPTCL/BESCOM after the expiry of PPA on 31.07.2005. Further it has stated that considering Kaiga power may create operational & accounting problems and also it is not coming under ABT. BESCOM has further stated that considering only 580 MU from RTPS U4 would result in shutting down of the unit for 5-6 months. BESCOM have proposed surcharge of 176.34 paise per unit for 66 kV & above level & 150.41 paise per unit at 33 kV level based on the BESCOM input of 16128 MU for FY06. For this purpose BESCOM has considered 806 MU as the power purchase at margin and the power purchase cost as Rs. 216.02 Crs from RTPS 4,5,6 & 7 Units.

HESCOM have proposed surcharge of 155.22 paise per unit for 66 kV & above level & 124.11 paise per unit at 33 kV level based on the HESCOM input of 6593 MU for FY07. For this purpose HESCOM has considered 330 MU as the power purchase at margin and the power purchase cost as Rs. 95. 03 Crs from Kaiga & RTPS 5 & 6 Units.

The Commission notes that the above ESCOMs have worked out the surcharge considering the ESCOM wise energy input. It is worthwhile here to note that the Commission had proposed surcharge based on the approved power purchase for FY06 since the ERCs for FY07 including the power purchase details are yet to be filed by the ESCOMs. Therefore, in the absence of power purchase details for FY07, it is not feasible to delete Kaiga & Jindal stations and include some other stations for the purpose of surcharge, since computation of surcharge has to be done considering the merit order

at the margin. Further since a uniform retail tariff is being followed in the state across the ESCOMs, the cross subsidy surcharge has to be determined for the state as a whole till a differential tariff is introduced across the ESCOMs.

The Commission requests the ESCOMs to file their detailed proposals for determination of surcharge for FY07 early. Till such time the ESCOMs file their proposals and the same is finalized by the Commission, the charges will have to be determined based on available information in order to give effect to the open access. Accordingly, the Commission has determined the cross subsidy surcharge.

Meanwhile, KERC has determined the transmission charges applicable for both Long Term & Short Term open access customers afresh vide its Order dated 07.04.2006. These Transmission charges shall be applicable for all open access transactions from 1.4.2006 as detailed below:

**a. Transmission Charge [as per Tariff Order April 2006]:**

**Long-term customers:**

10.5 lakhs/MW/year

**Short term customers**

Upto 6 hrs in a day in one block: Rs.180/MW

More than 6 hrs & upto 12 hrs in a day in one block:

Rs. 360/MW

More than 12 hrs & upto 24 hrs in a day in one block:

Rs. 720/MW

**Both long-term & short-term open access consumers shall pay transmission losses in kind depending upon the point of injection and point of drawal based on approved overall Transmission loss of 4.06%.**

**b. Distribution Network Charge**

ESCOM	33 kV /11 kV network charge-Paise per unit	33 kV /11 kV network loss in kind-%
BESCOM	10.58	5.50
MESCOM	7.74	3.66
HESCOM	13.35	8.59
GESCOM	13.58	5.12
CES Corp.	8.70	7.81

[Based on open access charges as per Tariff order 2005/Split ERC order of MESCOM & CESCorp]

For captive generators who intend to use LT distribution network, the following LT charges shall be applicable:

ESCOM	LT network charge-Paise per unit	LT network loss in kind-%
BESCOM	24.68	8.26
MESCOM	18.06	5.49
HESCOM	31.15	12.88
GESCOM	31.70	7.70
CES Corp.	20.30	11.71

### **C. Cross subsidy surcharge:**

As per the tariff policy, the surcharge depends upon the voltage level. Hence, the surcharge at the transmission level & at 33 kV level will be different. Hence, the Commission approves the following cross subsidy surcharge [after rounding off] as an interim measure:

**66 kV & above level: 113 paise per unit**

**At 33 kV level: 80 paise per unit**

Detailed working of surcharge calculation is [enclosed](#)

The above surcharge is computed using the following formula specified in the Tariff Policy of Gol dated 06.01.2006:

#### **Surcharge formula:**

$$S = T - [C (1 + L / 100) + D]$$

Where

S is the surcharge

T is the Tariff payable by the relevant category of consumers;

C is the Weighted average cost of power purchase of top 5% at the margin excluding liquid fuel based generation and renewable power

D is the Wheeling charge

L is the system Losses for the applicable voltage level, expressed as a percentage

In all other aspects in the matter of transmission charge, wheeling charge and cross subsidy surcharge under open access, the Commission's Order dated 09.06.2005/Tariff Order 2005/Tariff Order 2006 stands.

KPTCL/ESCOMs are directed to adopt the above charges for open Access with effect from 01.04.2006.

Thanking you,

Yours faithfully,

For Karnataka Electricity Regulatory Commission

Sd/-  
Secretary