Annexure

Comments on Determination of FY-03 gap:

I have to painfully disagree with the opinion of my learned colleagues. I have long experience in the power sector. Hence I feel that it is my duty to render the comments bringing out the facts. The gap for FY03 has been determined by allowing T&D loss of 28% and not considering the expenses on account of the following:

1) Payment of ex gratia/bonus to the eligible employees of KPTCL/ESCOMS.
2) Expenses towards subsidized rates for electricity supply to eligible employees of KPTCL/ESCOMS.
3) The interest on delayed payments of power bills to generating companies.

The Hon’ble Commission while passing Tariff Order 2003 dated 10.3.2003 in Para 11.1.5, observed that with the available information the Commission is not able to determine with definiteness the additional burden that can be passed on to consumers on account of Revenue Gap incurred by KPTCL/ESCOMS for FY03 may approach the Commission as and when the FY03 actual figures are available and the Commission will receive the same and take appropriate decision.

Accordingly the application was filed by the KPTCL/ESCOMS with actual details for FY03 for consideration.

1) T&D Loss:

Though the T&D losses in the electrical system cannot be eliminated, they could be reduced to reasonable level in phased manner over the years, since all the installations are not metered, assessment of un-metered
category is a must. Hence, determination of exact losses is very difficult due to the assessment based on various methods. Therefore, the loss figures keep on varying.

After formation of the K.E.R.C. the KPTCL has been furnishing the details of T&D losses in the system during various tariff filings to the Commission. The debate has been going on as to what was the initial T&D loss and what would be the reduction in the loss to be achieved by the KPTCL every year. KPTCL during the tariff filing for FY-02 has shown the T&D loss as 36.5% for FY-01 and proposed to bring down the same to 34.9% during FY-02 and to 32% during FY-03 and further to 30.62% during FY-04. The Hon'ble Commission while deciding upon the percentage losses for FY-03 considered the base value as 35% for (FY-02) and fixed loss to 28% for (FY-03.). Though KPTCL indicated a reduction of 1.5% to 2% every year from FY-01 to FY-04 suggesting reduction of about 6% over the years, the K.E.R.C. drastically imposed a reduction of 7% during 2002 to 2003 (during one year) on various grounds. The tariff order for FY-03 was issued on 8.5.2002 imposing a drastic reduction of losses by 7%. The year FY-03 started on 1.4.2002, the KPTCL was looking after the distribution also. Though K.E.R.C. while passing order on 8.5.02 very well knew that the KPTCL would be separated into transmission and distribution entities, the K.E.R.C. imposed this drastic reduction in losses. Four ESCOMS were formed from 1.6.2002 bifurcating distribution from KPTCL into four ESCOMS viz., Bangalore, Mangalore, Hubli and Gulbarga companies.

This imposition of drastic reduction in losses in one year requiring huge investment that too during the year of formation of new ESCOMS was practically very difficult. Against this imposition of reduction from 35% to 28% the KPTCL/ESCOMS have reduced the loss to 30.71%, thereby reducing the T&D loss by 4.29% in a single year.
By considering 28% losses, the additional sales have been shown as 790 MU and the additional revenue worked out to Rs.197.5 crores at the rate of Rs.2.50 ps./unit. This amount I feel is fictitious, as it does not exist.

The T&D loss for FY04 was retained at 28% by the Hon’ble Commission without imposing further reduction in loss by the KPTCL/ESCOMS indicating that the reduction imposed during FY03 was not achievable. Hence, I am of the opinion that 30.71% T&D loss be considered while determining the gap for FY03.

II. (a) : Expenses of ESCOMS : The valid reasons for not considering the expenses (1) on account of payment of Exgratia/Bonus to the eligible employees of licensees, (2) on account of subsidized electricity supply to some of the eligible employees of licensees and (3) interest paid on account of delayed payment of energy bills to generating companies are not mentioned in the order.

These issues need consideration on the basis whether these expenditure are uncontrollable or otherwise. In various government and public organizations certain concessions/privileges are granted to the employees based on government policies. These expenses are to be gradually eliminated, based on the agreements between the concerned parities. Not considering these expenses would amount to questioning the policy of the Government. Since there are no valid reasons for not considering these expenses, these expenses needed consideration while determining the gap for FY03. It is worthwhile noting that though an expenditure of 1148.2 crores for FY03 was approved, the actual
expenditure was 1043.98 crores, thereby saving an amount of Rs.104.22 crores by the KPTCL/ESCOMS.

b) Interest on delayed payment of energy bills to generating companies:
KPTCL/ESCOMS may not pay energy bills regularly to generating companies due to some valid reasons. For example, KPTCL/ESCOMS while filing ERC for FY04 have projected less hydel generation and the Commission in its wisdom considered the higher hydel generation which has resulted into a gap of Rs.444 crores. If this had been allowed while passing the tariff order for FY04 this amount would have been recovered by KPTCL/ESCOMS from April 2003 and would have paid the energy bills of the generators also regularly. Now that this has not been done KPTCL/ESCOMS may not be able to pay the bills regularly and naturally they will have to pay the interest for delayed payments.

Had the above mentioned points were considered, the gap for FY03 would have worked out to Rs. 65.72 crores (approximately) excluding the additional fixed charges as per order 11.29 of this tariff amendment order.

Since KPTCL/ESCOMS have filed the applications based on the directions from the Hon’ble Commission asking them to come back with actual details when they are available, based on facts an impartial order need to be passed keeping in view the interest of all the stakeholders, avoiding as far as possible litigations and consequential delays, uncertainties harming the interest of consumers in the long run.

S.D.Ukkali,
Member-II

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