

MINUTES OF THE FIRST MEETING OF THE
COMMISSION'S ADVISORY COMMITTEE HELD ON
FRIDAY THE 24th NOVEMBER, 2000 AT 10.30 AM IN
THE KERC OFFICE, M.G. ROAD, BANGALORE

1. List of members present at the meeting is as at Annex-1.
2. The Chairman welcomed the members to the first meeting of the Commission's Advisory Committee and made a few introductory remarks regarding the power sector, the ongoing reforms programme and the scope of the Reform Act in general. He mentioned that members nominated to the Committee further may except in extraordinary circumstances, attend the meetings in person instead of proxies and alternatives. The Chairman apprised the members about the activities undertaken by the Commission so far, the regulations and guidelines that have been issued by the Commission. He also highlighted the special problems inherent in the transitional phase of the restructuring of the power industry in Karnataka.
3. In the discussion on the KER Act and Regulations and Guidelines issued by the Commission (Agenda Item No.2), Mr. M.K. Ramachandra, CAC Member, requested for clarification about whether it was mandatory for the Government of Karnataka to consult the Commission on new projects, choice of fuel, location of projects, etc., and also whether it was open to the public to file their comments / suggestions / objections for or against any project. Chairman clarified that all Power Purchase Agreements entered into by the licensees with power producers requires the approval of the Commission and that this process may involve the Commission calling for objections from the public if it was felt necessary. In response to a question from Mr. H.R. Alva, representative of CII, Chairman clarified that "concluded contracts" as defined in the Act will not be within the KERC's jurisdiction; however, the issue of what exactly would be "concluded contracts" has not yet been decided and legally examined since these issues are to be posed before the Commission. In response to a question from Mr. Chandrashekar, Managing Director, Bhoruka Power Corporation Limited, Chairman explained the provision for appeal against the orders of the Commission before the High Court on matters of law. Responding to a question from Major General S.G. Vombatkere about the status of KPTCL's licence, the Secretary, at the instance of the Chairman, explained the position relating to the provisional licence issued to the KPTCL and the current status of the KPTCL's licence application. When the Managing Director, KPCL suggested that KPTCL should not be allowed to divert revenue received for meeting capital expenditure, Chairman clarified such matters will be duly considered while according investment approval for the KPTCL's annual investment plan. To a question from Dr. Ananth Huilgol about KPTCL's status, Chairman

clarified that it remains a 100% Government owned Company though it has been corporatised.

4. The Committee then took up the question of ERC & tariff filings of the KPTCL for the year 2000-01 (Agenda Item No.5). The following points were expressed by the members in this connection:
 - a. Major General S.G. Vombatkere felt that T&D loss in excess of CEA prescribed norms really represented inefficiencies and theft and also that the 3 % return uniformly shown every year is by back calculation. In this connection, the method of calculating the 3 % return was explained to Major General S.G. Vombatkere by Mr. V.P. Baligar, Chairman & Managing Director, KPTCL.
 - b. Mr. Y.G. Muralidharan felt that in the large purchases from KPCL, the inefficiencies of KPCL should not be passed on to the KPTCL and thereby to the consumers. It was clarified that the KPCL tariff proposal is pending before the Commission and that while deciding the same, due attention will be paid to ensure that the tariff was fixed on the basis of reasonable standards of efficiency.
 - c. Mr. M.K. Ramachandra felt that industry should not be burdened with any cross-subsidy and that if any subsidy was to be given to any category of consumers, this should be borne entirely by the Government. He said that the present increase that has been proposed for industry will lead to an intolerable burden for industry groaning under the weight of so many burdens.
 - d. Mr. M.S. Shankarikoppa felt that paying capacity should be an important consideration in fixing tariffs. He mentioned that agriculturists had never asked for being given free power. However, since the final product of agricultural activity does not get a remunerative price, the costs of power should take this fact into account. At the same time, the burden of Government Policy should not be on the KPTCL and the subsidy should be borne by the Government. Mr. M.S. Shankarikoppa felt that agriculturists do not insist on 24-hour supply; however, agriculturists as a class should not be treated less favourably than industry. He mentioned that all categories of farmers may not be eligible for subsidy. However, instead of classifying farmers as big, medium or small, or to base the eligibility for subsidy on the acreage of land held by the farmer, subsidy can be provided up to consumption of a certain maximum number of units of energy. Besides, subsidy may be restricted only to one pumpset per agriculturist. For this purpose, he advocated installing meters for all pumpsets. He felt that leaving agricultural pumpsets unmetered is not advisable.
 - e. Mr. Munigowda felt that farmers will be willing to pay more than even the current proposal of Rs.500 per HP per annum as long as 24-hour supply and voltage stability were assured. He advised the

Commission that it is necessary to educate farmers that KPTCL and the Government of Karnataka are really different entities. Mr. Munigowda felt that big farmers do not require any subsidy and that all farmers may be classified into three categories, perhaps using the same definition of small or medium farmers that is used for various other subsidy schemes of the Government. He felt that around 15 to 20 % of farmers are big farmers. Besides, farmers growing plantation crops or commercial crops, etc., may be required to pay at industrial rates. Mr. Munigowda felt that metering of all IP sets is a must and further added that he could not understand as to why meters were removed.

- f. Responding to points made by Mr. Shankarikoppa and Mr. Munigowda, Chairman indicated that KPTCL may be requested to earmark a substantial sum out of its capital investment programme, say at least 25 %, specifically for improving the distribution system and supply in rural areas and that these should be treated as a recommendation of the Committee. This suggestion was accepted. In response to this suggestion, Mr. V.P. Baligar mentioned that a ten-year Perspective Plan for improving the T&D system at a total investment of Rs. 13,000 Cr. has been drawn up. He also felt that subsidies on IP sets need not be given to income tax payers and that this may be restricted to not more than a specified capacity say, 5 HP or 10 HP or to only one pumpset.
- g. Representative of CII felt that industrial tariffs may be on par with other southern States so that industries may be competitive. Regarding agricultural tariffs, he mentioned that a flat rate leads to wastage and also that in districts with high rainfall such as Dakshina Kannada water was needed for only about 4 – 5 months during the summer and that supply was inadequate during this period. He also felt that the large gap between cost of purchase and the cost of supply may be specifically examined by the Commission and reduced to the maximum extent. He also made a suggestion that the Commission may specifically consider methods by which the tariff may be linked to the quality of supply.
- h. Sri V. Narayanagowda felt that the subsidy issue is crucial and that without satisfactorily resolving the, same the Commission could not make much headway. He also felt that the metering of all the installations is absolutely essential.
- i. Sri K.C. Naikwadi informed the Committee that he had made some suggestions regarding the standards in the distribution and supply code circulated by the Commission and that these should be taken into account.
- j. Major General S.G. Vombatkere suggested that demand side

management should be a specific focus for the Commission and that building codes could be looked into in order to ensure that buildings were energy efficient. He also suggested that above a certain level, paying capacity may not be the sole consideration and conspicuous consumption may also be discouraged.

- k. Mr. K.N. Jayalingappa mentioned that meters fitted to LT3 consumers were not being got tested by an independent third party agency and that consumers are put to hardship when inspection staff of KPTCL find that the meters are defective. Mr. V.P. Baligar mentioned that at present all meters are being tested on a sample basis by CPRI. Mr. Jayalingappa also mentioned that the fixed charges for LT3 are high and that this would cause undue hardship especially to seasonal agro-based industries.
 - l. Mr. Y.G. Muralidharan mentioned that the Commission needs to take special care on the following:
 - i. action plan that the KPTCL intends implementing to improve the safety of human beings, animals and equipment;
 - ii. Whether KPTCL can be made to pay compensation for any loss sustained by consumers as a result of KPTCL's shortcomings;
 - iii. What mechanism is likely to be set up to monitor the implementation of the customer charter.
 - m. Mr. Chandrashekar felt that the Commission should direct the commissioning of number of studies to improve the database related to the electricity sector which forms a key input for the Commission's decision making.
5. In response to the above suggestions, the Chairman mentioned that the Commission wants to progressively bring down cross-subsidies. He also emphasized the need for the tariff order to give some kind of indication to potential private investors in distribution.
 6. Items 3 and 4 on the Agenda were deferred to be taken up at the next meeting.
 7. The Chairman thanked all the members of the Committee for having attended and made invaluable suggestions.

CHAIRMAN / KERC

Annex-1

List of Members Present at the Meeting

1.	Sri Philipose Matthai	Chairman
2.	Sri H.R. Gopal	Member
3.	Mrs. Nalini M.K. Menon	Member
4.	Sri J. Crasta	Committee Member
5.	Maj. Gen. S.G. Vombatkere	Committee Member
6.	Sri V. Narayana Gowda	Committee Member
7.	Sri S. Muni Gowda	Committee Member
8.	Sri Y.G. Muralidharan	Committee Member
9.	Sri K.N. Jayalingappa	Committee Member
10.	Er. K.C. Naikwadi	Committee Member
11.	Sri M.R. Rangaswamayya	Committee Member
12.	Managing Director, Bhoruka Power Corporation Ltd.	Committee Member
13.	Sri M.K. Ramachandra	Committee Member
14.	Dr. Anant Huilgol	Committee Member
15.	Sri Ravi Uppal	Committee Member
16.	Sri M.S. Shankarikoppa	Committee Member
17.	Managing Director, KPCL	Committee Member
18.	Sri V.P. Baligar, CMD, KPTCL	Committee Member

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