

B/12/01

Dated 7th February 2006

To All the Stakeholders & Experts

Sir,

Sub: Amendments to KERC (Tariff) Regulations, 2000- filing of revised ERC

Consequent to the issue of the National Tariff Policy by the GoI on 06.01.2006, certain amendments to the KERC (Tariff) Regulations, 2000 are found to be necessary. Accordingly, the Commission is proposing amendments to the existing Tariff Regulations. A copy of the draft amendments along with Annexures, is enclosed to this letter for your reference.

KERC hereby solicits views/objections from the all stakeholders and experts on the proposed amendments.

I am therefore directed by the Commission to request you to offer your views/objections on the proposed amendments on or before 24th February 2006.

Thanking you,

Yours faithfully.

For Karnataka Electricity Regulatory Commission

Secretary

Existing & Proposed amendment to KERC(Tariff) Regulations

Regulation No.	As existing	Proposed amendment
3	<p>(4) Where the profit and loss account in Form A1 of ERC discloses a net revenue deficit for the ensuing year, the licensee shall explain as to how this deficit will be met. If tariff revision is contemplated by the licensee as one of the measures required to meet the deficit, the licensee shall accordingly file an application for tariff revision along with the ERC to cover the deficit to the extent necessary. In no situation should the ERC be filed without proposing measures adequate for covering the deficit. Where the ERC filling does not satisfy this stipulation, it will be liable to the rejected outright.</p>	<p>(4) Where the profit and loss account in Form A1 of ERC discloses a net revenue deficit for the ensuing year, the licensee shall explain as to how this deficit will be met. If tariff revision is contemplated by the licensee as one of the measures required to meet the deficit, the licensee may accordingly file an application for tariff revision along with the ERC to cover the deficit to the extent necessary</p>
4(5)	<p>(ix) A statement of any subsidy committed by the Govt. of Karnataka, the consumers to whom it is directed, and the way in which such subsidy is proposed to be reflected in the proposed tariffs applicable to these consumers;</p>	<p>(ix) A statement of any subsidy by the Govt. of Karnataka, the consumers to whom it is directed, and the way in which such subsidy is proposed to be reflected in the proposed tariffs applicable to these consumers</p>
		<p>In Annexe-1 to the existing Regulations, Form A-1, Form A-4, Form T3/D3, and Form T8/D8 shall be substituted with the respective Forms annexed to the proposed amended Regulations.</p>

KARNATAKA ELECTRICITY REGULATORY COMMISSION
9/2, 6th & 7th Floors, Mahalaxmi Chambers, M.G. Road, Bangalore-560 001

Draft Notification

No. B/12/01, Bangalore dated 7th February 2006

According to Section 61 of the Electricity Act 2003, the Commission shall, subject to the provisions of the Act, specify the terms and conditions for determination of tariff, and shall be guided by factors from (a) to (i) specified therein. The factors specified therein include the Tariff Policy of Govt of India issued under Section 3 of the Act. Govt of India has notified the Tariff Policy on 6.1.06.

In the said Tariff policy, various norms for generation, transmission and distribution of electricity have been specified. This includes norms regarding Equity, Return on investment, Depreciation etc. The Tariff Policy has specified Multi Year Tariff framework to be adopted. Regarding operating norms for generation and transmission it has been stated in the Policy that the Central Commission would, in consultation with CEA, notify the operating norms from time to time and SERCs would adopt these norms. As regards operating norms for distribution networks, it is indicated that for uniformity of approach, the Forum of Regulators should evolve the approach including the guidelines for treatment of state specific distinctive features and SERCs would notify the norms. Under Distribution, It is indicated that the State Commission should determine the tariff initially without considering the subsidy commitment by the State Government and subsidized tariff shall be arrived at thereafter considering the subsidy by the State Government for the respective category of consumers and further that the extent of subsidy for different categories of consumers can be decided by the State Government keeping in view various relevant aspects.

Therefore, pending issue of Regulations on terms and Conditions of tariff under the MYT framework under section 61 of the Electricity Act, 2003, and pending evolving norms for Distribution by the Forum of Regulators, the Commission considers it necessary to amend certain provisions of KERC (Tariff) Regulations 2000 to comply with the Tariff Policy which has come into effect from 6.1.2006.

In exercise of powers conferred on it by Section 56 of the Karnataka Electricity Reforms Act 1999, Section 61 read with Section 181 of the Electricity Act 2003 (No. 36 of 2003), the Karnataka Electricity Regulatory Commission, hereby makes the following regulations, namely:

1. Short Title and Commencement

- a. These Regulations shall be called the Karnataka Electricity Regulatory Commission (Tariff) (Amendment) Regulations, 2006.

- b. These Regulations will come into effect from the date of publication in the official gazette of Karnataka.
2. In Regulation 3, the existing clause (4), shall be substituted by the following:

“(4) Where the profit and loss account in Form A1 of ERC discloses a net revenue deficit for the ensuing year, the licensee shall explain as to how this deficit will be met. If tariff revision is contemplated by the licensee as one of the measures required to meet the deficit, the licensee may accordingly file an application for tariff revision along with the ERC to cover the deficit to the extent necessary”.
3. In Regulation 4, clause (5), sub-clause (ix) the word “committed” shall be deleted.
4. In Annexe-1 to the existing Regulations, Form A-1, Form A-4, Form T3/D3, and Form T8/D8 shall be substituted with the respective Forms annexed to these Regulations.

By the order of the Commission