

## **KARNATAKA ELECTRICITY REGULATORY COMMISSION**

No.9/2, 6<sup>th</sup> & 7<sup>th</sup> Floor, Mahalaxmi Chambers,  
M.G.Road, Bangalore-560 001.

Present: Shri K.P.Pandey                      Chairman  
              Shri H.S.Subramanya            Member  
              Shri S.D.Ukkali                    Member

### **In the matter of determination of Transmission Charge, Wheeling Charge and Cross Subsidy Surcharge under Open Access for implementation Of 3<sup>rd</sup> Phase of Open Access**

#### **ORDER**

No.Q/01/1

Dated 25<sup>th</sup> April 2007

Whereas, the Commission has 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 the second phase of Open Access for consumers with CD of 5 MW & above and voltage level of 33 kV & above from 1<sup>st</sup> April 2006 and has determined the cross subsidy surcharge based on average cost of supply at 113 paise per unit for 66 kV voltage level & above and 80 paise per unit for 33 kV level. The Commission had communicated the same to KPTCL/ESCOMs vide its letter dated 20.04.2006. The third phase of Open Access for consumers with CD of 3 MW & above and voltage level of 11 kV & above is scheduled from 1<sup>st</sup> April 2007.

Meanwhile, the Commission has directed the ESCOMs to file their detailed proposals for determination of surcharge under MYT framework. Till such time the ESCOMs file their proposals and the same is finalized by the Commission, the charges will have to be determined to give effect to the 3<sup>rd</sup> phase of open access. Since the ESCOMs are yet to file their proposal and in order to give effect to 3<sup>rd</sup> phase of open access, the Commission has proposed the cross subsidy surcharge based on the power purchase details approved for FY06 by adopting the methodology specified in Tariff Policy of Gol. The Commission has invited comments from Stakeholders including KPTCL/ESCOMS on the said proposal vide its letter dated 21.03.2007 and 03.04.2007. In response BESCOM, MESCOM, HESCOM and few experts/organisations have furnished their comments/suggestions.

The views expressed by the Stakeholders and the Commission's decision thereon is discussed below:

#### **BESCOM:**

BESCOM has requested the Commission to consider the financial results of FY07 placed before the Commission along with the ERC application under MYT for arriving at Network charges. Further BESCOM has proposed LT network loss as 11.15% instead of 8.26% proposed by the Commission for captive generators for use of LT network. BESCOM has

proposed surcharge of 143 paise per unit for 33kV/11kV based on cost to serve HT consumers.

### **MESCOM**

MESCOM has suggested to consider the figures from one of the following for determination of network charges for 3<sup>rd</sup> phase of open access:

- a. As per the ARR & Expenditures approved for FY06 in Tariff Order 2006
- b. As per the actual ARR & expenditure in FY06 filed in ERC FY07
- c. As per the ARR & expenditure proposed by MESCOM for FY07 in ERC FY07
- d. As per the ARR & expenditure approved for FY07 in Tariff Order 2006.

### **HESCOM**

HESCOM has proposed surcharge of 183 paise per unit for 66 kV & above level & 106 paise per unit at 33 kV & 11 kV level based on the HESCOM input of 7761 MU for FY08. For this purpose HESCOM has considered 388 MU as the power purchase at margin and the power purchase cost as Rs. 115.14 Crs from Kaiga 3 & 4, RTPS 5 & 6 Units and NLC-II Expansion project. Further, HESCOM has considered transmission loss at 4.18% and distribution loss at 33 kV/11kV at 18.27% which are the projected losses by KPTCL and HESCOM for FY08.

**S. Govindappa-Expert**, has furnished the following comments:

- a. There is wide difference in Transmission charges for Long-Term & Short-Term Open Access Customers. This needs to be reviewed.
- b. When all charges ie Transmission charge, network charges & losses are paid by the Customers, applicability of surcharge does not arise.
- c. Surcharge, if applicable per unit, whether transmitted unit or consumed unit to be clarified
- d. When DISCOMs cannot supply the required energy to consumers and consumers get the same under open access, surcharge should not be charged.
- e. Inclusion of 'D' in the surcharge formula appears to be doubly loaded.

### **IWPA, Karnataka Council**

**IWPA** has made the following suggestions:

- a. To reckon the primary data as per Tariff Order 2006 to determine 3<sup>rd</sup> Phase of Surcharge under the interim arrangement, as the interim stay by the Hon'ble Appellate Tribunal against Tariff Order 2006 is on the limited issue of tariff determination of a section of consumers and some limited pronouncements contained in the Order.
- b. To consider distribution loss as approved in Tariff Order 2006 at 25% while computing surcharge instead of 6.11%. Further, it is requested that actual loss component be considered instead of approved loss component.
- c. To consider a portion of the input energy from liquid fuel projects while determining the margin of 5% of energy. Considering the State Specific ground realities, SERCs have complete authority to adopt their own mechanisms to determine surcharge without violating the directional mandates of the NTP.
- d. To Consider actual tariff for respective HT categories instead of average HT tariff.  
le. Cross subsidy surcharge should be specific to the HT category and should not be averaged out across the HT categories.
- e. Surcharge to be calculated based on actual cost of supply instead of average cost of supply.

## **Commission's Decision:**

The Commission notes that the ESCOMs have worked out the surcharge considering the ESCOM wise energy input for FY08. It is worthwhile here to note that the Commission had proposed surcharge based on the approved power purchase costs for FY06, since the ERCs under MYT filed by the ESCOMs are yet to be accepted & validated and that of KPTCL is yet to be validated by the Commission. Also a uniform retail tariff is being followed in the State across the ESCOMs. Hence, the cross subsidy surcharge has to be determined for the State as a whole till a differential tariff is introduced across the ESCOMs. **In view of the above, the Commission is unable to consider the projected figures for FY08 in arriving at Open access charges and is unable to determine the surcharge ESCOM-wise.**

Regarding the suggestions to consider the FY07 figures, the Commission notes that these are also estimated figures submitted along with the ERCs under MYT, which are yet to be accepted & validated by the Commission. **Since the Commission is passing an order as an interim measure, it does not consider it appropriate to adopt figures that are not firmed up.**

Further, the Hon'ble ATE has stayed the Tariff Order 2006 on the ERCs of ESCOMs for FY07 and therefore the Commission is unable to consider the approved figures for FY07. **Hence, the Commission is constrained to adopt the figures approved for ESCOMs in its Tariff Order 2005.**

Tariff Order 2005 passed by the Commission has been accepted and implemented by all the ESCOMs. **The Commission has therefore, in this interim order, considered the power purchase cost as approved in its Tariff Order 2005 for arriving at cross subsidy surcharge. Further, the network charges for Open Access as approved in the said Order [ Pg.339-341] is considered in arriving at the network charges in this interim order.**

Regarding the losses, the Commission in its earlier orders has allowed only technical losses for Open Access transactions and has not considered commercial losses. The loss allocation is dealt with in detail in the Commission's orders dated 09.06.2005 and Tariff Order 2005. **Based on the approach followed in the earlier orders and considering the approved losses for open access transactions in its Tariff Order 2005 and KPTCL's Tariff Order 2006, the Commission has determined the losses to be charged in kind in this interim order.**

Regarding the methodology of calculation of surcharge, the Commission, in due consultation with stakeholders, has amended the open access regulations incorporating the methodology specified in the National Tariff Policy. The Regulations being a subordinate legislation is binding on all parties. **Hence, the Commission is unable to accept the suggestion to modify the surcharge formula.**

**Regarding the applicability of surcharge, the Commission is bound by the provisions of the Electricity Act 2003 and has framed the Regulations accordingly.**

Regarding the Transmission charges for Short-term Open access customers, the Commission has followed the approach adopted by CERC. Hence, there is difference between transmission charges for Long-term & Short-term open access customers.

As far as cost of service [CoS] is concerned, the Commission has repeatedly directed the Licensees to file tariff proposals based on CoS. So far the Licensees have not complied with the above directive of the Commission and the Commission is compelled to determine the tariff based on average cost. **Hence, the Commission cannot consider CoS only for the purpose of determining cross subsidy surcharge.** As and when the tariff is determined based on CoS, the Commission would consider determining the surcharge also based on CoS.

Regarding the suggestion of IWPA that surcharge should be specific to the HT category and should not be averaged out, the Commission notes that there would be a shift in the approach and therefore, sufficient opportunity needs to be provided to other stakeholders. **Hence, this suggestion is not accepted in this order.**

Based on the above discussions the Commission has finalized the charges for Open Access as under:

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

KPTCL has filed its ERC under MYT for FY08 to FY10, which is under consideration of the Commission. Until the ERC under MYT of KPTCL is finalized, the Commission, as an interim measure, continues the transmission charges applicable for both Long Term & Short Term open access customers as determined in its Order dated 07.04.2006. These Transmission charges shall be applicable for all open access transactions from 1.4.2007 as detailed below:

**Long-term customers:**

Rs.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 as determined in the order-dated 7.4.2006.**

**b. Distribution Network Charge**

The applicable network charges is as follows:

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/11kV 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**

**At 11 kV level: 80 paise per unit**

The Commission has considered a loss of 6.11% for the State as a whole for HT distribution network, which includes 33 kV, and 11 kV network. Hence, the surcharge works out to 80 paise per unit for both 33 kV voltage level & 11 kV voltage level.

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

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/ KPTCL Tariff Order 2006 stands.

KPTCL/ESCOMs are directed to adopt the above charges for open Access with effect from 01.04.2007 so as to give effect to implementation of 3<sup>rd</sup> phase of Open Access. This order will remain in force until further Orders by the Commission in the matter.

This order is signed dated and issued by Karnataka Electricity Regulatory Commission on this 25<sup>th</sup> day of April 2007.

Sd/-

**K.P.Pandey**  
**Chairman**

Sd/-

**H.S.Subramanya**  
**Member**

Sd/-

**S.D.Ukkali**  
**Member**