

CHAPTER - 7

NEW PROPOSALS

I. Tariff Categorization of club houses located within the residential apartment Complexes

Presently, club houses located within the residential apartment complexes are classified under domestic tariff (LT2a) category whereas the individual club houses are classified under commercial tariff (LT3) category.

The present day apartments/gated communities etc. include everything from spa, beauty parlor, ATM machines, common laundry, club houses etc. These facilities are meant for the bonafide use of the residents of the apartments. Further, it has also been learnt that smart vending machines are placed inside the club houses of apartment complex. These vending kiosks contain groceries, milk products, cool drinks, chocolates and other FMCG products. **This activity is a commercial activity.** The smart vending machines are deployed in offices/malls/individual club houses/gyms. The vending kiosks placed within the club houses of apartment complex are classified under domestic tariff and vending kiosks placed within the offices/malls/individual club house/gyms are classified under commercial tariff. With increasing technology more such activity may come up in future.

Proposal:

Club houses/gym/sport facilities of the apartment complexes where non-resident members/guests of residents of the apartment are allowed /outsiders who are allowed on rental basis such club houses/gym/sport facilities of the apartment complexes shall be classified under commercial tariff category.

II. Special Incentive Scheme (SIS):

The Hon'ble Commission in its Tariff Order 2018, dtd 14.05.2018 has extended an HT incentive scheme in an attempt to bring back the EHT/HT consumers who are availing power through open access.

In the said incentive scheme, rebate of Rs.1/unit for the consumption over and above the base consumption during 10:00 hrs to 18:00 hrs and rebate of Rs.2/unit during 22:00 hrs to 06:00 hrs is extended. Further, during 10:00 hrs to 18:00 hrs if the SIS consumer's consumption during 10:00 hrs to 18:00 hrs does not exceed the base consumption, still rebate of Rs.2/unit is extended during 22:00 hrs to 06:00 hrs. There are 20 BSNL installations under Special Incentive Scheme, out of which 6 BSNL installations have not reached the base consumption but still BESCOM is extending rebate of Rs.2/unit. **The key point for allotting Special Incentive Scheme is to increase the metered sales of BESCOM at the cost of giving incentive to EHT/HT consumers.** Since, the metered sales during 10:00 hrs to 18:00 hrs does not increase and rebate is extended during 22:00 hrs to 06:00 hrs, the Average Revenue Realization of such installations under SIS has reduced. The installation wise details will be submitted to the Commission. Hence, the Commission is requested to consider fixing base consumption for night consumption.

It is learnt that HT incentive would only benefit a small percentage of industries who operate three shifts. Few industries that have a third shift usually use it for maintenance. This is one of the reason for HT industries not opting for Special Incentive Scheme. **If the base consumption is fixed for the overall consumption (average of 12 months) instead during 10:00 hrs to 18:00 hrs and rebate of Re.1/unit is extended for all the consumption over and above the base consumption, more HT consumers may opt for the HT incentive scheme.**

Further, the Hon'ble Commission vide letter No. KERC/DD(Tariff)/B/7/14/858, dated: 04.09.2018 have stated that the Special Incentive Scheme is applicable to consumers who are procuring energy whether partly or fully to meet their consumption from ESCOMs. Furthermore, consumers who have opted for the scheme are not barred from procuring power from third party sources through open access in addition to power from the ESCOMs.

It is apt to state here that the HT consumers are sourcing their energy from various sources for example: solar generators, wind generator, mini hydel generators, group captive and also from IEX. Each HT consumer procures energy from various sources to reduce their energy charges. Such consumers fall back on BESCOM only for fulfillment of their balance energy. Further, these HT consumers have an agreement with the generators for a span of 5/10 years. If the Special Incentive

Scheme becomes applicable to such HT consumers (open access) then the metered sales of BESCOM will not increase. BESCOM through this incentive scheme, is attempting to generate additional revenue from HT consumers by encouraging them to consume over and above the average 12 months consumption by offering a concessional tariff rate. In case the consumers get attracted to this scheme, HT sales may go up, which would in-turn help BESCOM to come closer to achieving the HT sales target approved by the Commission. This will have a positive impact on the cross subsidy also, which in-turn could reduce the subsidy burden on State Government for the respective year/s. **Hence, BESCOM is restricting the HT incentive scheme to its embedded consumers only.**

III. HT – Increase in fixed charges:

- ✚ Revenue expenditure can be divided into two parts
 - Fixed expenditure contributing 43% of the total cost and
 - Variable expenditure contributing 57% of the total cost.

Breakup of Fixed and variable charges approved and actual as per accounts for FY-18 is tabulated below:

Particulars	Approved			Actual		
	Fixed	Variable	Total	Fixed	Variable	Total
Generation	2661.77	9094.51	11756.3	2521.68	10226.80	12748.5
Transmission	1868.03		1868.0	2374.74		2374.7
Distribution	2597.46		2597.5	2917.00		2917.0
Total	7127.26	9094.51	16221.8	7813.41	10226.8	18040.2
Sales in Mu			26109.2			25967.3
Composition per unit cost Rs./unit	2.73	3.48	6.2	3.01	3.94	6.9
	44%	56%	100%	43%	57%	100%

- ✚ On the contrary under Revenue earned from tariff 1. Fixed cost collected are at the rate of 19% and 2. Variable cost collected are at the rate of 81% of the total receipt.

Breakup of fixed/demand charges and Energy charges received for FY-18 is tabulated below:

Particulars	FY-18		
	Fixed/ Demand charges	Energy charges	Total
LT-Consumers	1497.75	8287.09	9784.84
HT-Consumers	1598.84	5908.57	7507.41
Misc.	420	330	750
Total	3516.59	14525.66	18042
	19.49%	80.51%	100%

- In majority of categories recovery of variable charges are not even at the Commission determined first slab rate. This may be due to inbuilt rebate such as voltage class rebate and incentive for Time of the Day tariff.
- Since the contribution of fixed charges is only 19% of the average realization rate the balance i.e. 24% (43%-19%) is concealed in the energy charges. Hence, the energy charges seems to be on a higher side. This is foremost reason for tapping HT consumers by generators. If the Demand/Fixed charges which is masked in the energy charges are separated then the variable cost can be reduced. Hence, it is proposed for increasing the fixed charges for HT consumers.
- Change in the approved sales mix also affects the cross subsidy level.
- If there is any reduction in sales under HT tariff, loss on account of fixed charges is at the larger extent i.e., -23%, and this will further worsen the cross subsidy level.
- Commission while determining the tariff does not consider the inbuilt rebate.

In order to reflect the actual share of fixed cost in the revenue requirement of Distribution licensees, there is need to enhance recovery through fixed charges. The fixed charge shall be so set that it leads to recovery of 100% of the fixed costs of Distribution Licensees.

The above concern of BESCOM is also highlighted in the recently issued Draft Amendments to Tariff Policy, 2018, which reads as below:

“In order to reflect the actual share of fixed cost in the revenue requirement of Distribution licensees, there is need to enhance recovery through fixed charges. The fixed charge shall be so set that it leads to recovery of at least 50% of the fixed costs in case of Domestic and Agriculture categories and at least 75% recovery of fixed costs in case of other categories progressively over next three years. The SERCs and JERCs shall lay down a roadmap to achieve the same.”

Since the fixed charges are inadequate, BESCOM has to borrow some amount to meet its working capital requirements to discharge its fixed liabilities. Increasing tariff by increasing energy charges instead of fixed / demand charges would result into steep fluctuations in revenue with varying consumption over time. It would also affect BESCOM ability to meet the fixed charges obligation.

The following table compares Demand Charges for HT Industrial category consumers among some of the States. BESCOM submits that the fixed charges in the neighboring states are relatively higher than those approved for BESCOM. Such charges eventually lead to appropriate fixed charge recovery for these States.

Madhya Pradesh:

Sub-Category of consumer	Monthly Fixed Charge (Rs./kVA of billing demand per month)	Energy Charge for consumption up to 50% load factor (paise/ unit)	Energy Charge for consumption in excess of 50% load factor (paise /unit)
Coal Mines			
11 kV supply	620	670	580
33 kV supply	630	650	570
132 kV supply	640	630	560
Industrial			
11 kV supply	330	660	600
33 kV supply	510	650	550
132 kV supply	610	605	525

Non-Industrial			
11 kV supply	300	680	630
33 kV supply	430	670	610
132 kV supply	540	620	550
Shopping malls			
11 kV supply	270	680	625
33 kV supply	375	660	590
132 kV supply	510	600	540
Power intensive industries			
33 kV supply	640	480	480
132 kV supply	660	450	450

Tamil Nadu:

HT INDUSTRIES(HT-1A)		Rs./kVA
Fixed charges		350/kva/month
Energy charges		6.35
Railway traction		
Fixed charges		300/kva/month
Energy charges		6.35
Govt. Educational institution		
Fixed charges		350/kva/month
Energy charges		6.35
Pvt. Educational institution		
Fixed charges		350/kva/month
Energy charges		6.35
HT commercial		
Fixed charges		350/kva/month
Energy charges		8.00

Andhra Pradesh:

HT-I(A): General		Fixed/Demand Charges in/ Month	Energy Charges /Unit
132 KV and above	kVAh	475	5.44
33 KV	kVAh	475	5.87
11 KV	kVAh	475	6.33

Uttar Pradesh:

Particulars	Contract load up to 1000kVa	Contract load more than 1000kva
Demand Charges	Rs. 295 / kVA / month	Rs. 355 /kVA / month
Energy Charges	Rs. 3.5 /kVAh	Rs. 3.85/ kVAh
	Rs 4.20	Rs 4.20

Maharashtra (Mahadiscom)
HT industrial

Consumer Category	Demand Charge (Rs/ kVA/ month)	Energy Charge (Rs/kWh)
HT I: HT – Industry		
HT I (A): Industry - General	391	7.07
HT I (B): Industry - Seasonal	391	7.34

HT Commercial

Consumer Category	Demand Charge (Rs/ kVA/ month)	Energy Charge (Rs/kWh)
All Units	391	11.73

BESCOM has proposed increase in Demand charges and uniform tariff rates for all units consumed.

IV. Domestic tariff:

Domestic tariff is one of the categories which always requires cross subsidy from the other categories. Consumption under this category constitutes about 24% of the total consumption. Loss level, Operation cost and providing infrastructures are very high but utilization of net work is minimal. Hence the average cost of supply to this category is very high on the contrary the revenue realization is lower. **This category needs segmentation and appropriate relief to the economically weaker section.**

The existing slab of 30 units is to be increased to 50 units:

Reasons:

Government of Karnataka in its Budget for FY-18, approved to provide free power supply to the BJ/KJ installations consuming upto 40 units. That means to

say, below poverty line consumption (Life line consumption) is to be renumbered to 40 units instead of earlier 30 units.

In accordance with the National Electricity Policy, consumers below poverty line who consume below a specified level may receive a special support through cross subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply. **Hence it is proposed to have a domestic tariff from 0-50 units at 50% of average cost of supply.**

As per the Tariff design formulated by the National Electricity Policy, the tariff progressively reflects the efficient and prudent cost of supply of electricity. **Hence it is proposed to create lesser slabs with non-telescopic tariff.**

The consumption pattern of consumers are listed in the below table:

Slabs	Urban	
	Consumption	Consumers
1-50	12%	52%
51-100	21%	24%
101-200	33%	18%
200 above	34%	6%

BESCOM has proposed consumption wise segregation of its consumers in domestic category as a methodology of intra cross subsidization.

Existing Tariff for LT2a(i) category:

Energy Charges (Rs/units) for units consumed in a month	
0- 30 units(Lifeline consumption)	3.5
31 to 100 units	4.95
101 to 200 units	6.5
201 to 300 units	7.55
301 to 400 units	7.6
Above 400 units	7.65

Proposed Tariff for LT2a(i) category:

Energy Charges (Rs/units) for units consumed in a month	
1-50(all units)	3.90

1-100 all units (>51<=100)	4.95
1-200 (all units)(>100<=200)	6.00
>200 (all units)	7.00

V. Other Tariff issues:

- Education institutions run by private unaided institutions presently under LT2b/HT2c tariff have potential to pay cross subsidy. Hence, these institutions may be included under Commercial Tariff (LT3/HT2b).
- Private and Government hospitals are classified under HT2c tariff category. Government hospitals are categorized under sub category HT2c (i) tariff schedule and the electricity tariff for this category of consumers are lower than the Industrial tariff. BESCOM is happy to extend reduced tariff structure to this category as these hospitals cater to large section of the economically weaker patients. Alternatively, Private hospitals are classified under HT2c (ii) tariff schedule and the electricity tariff for this category of consumers is less than the commercial tariff category i.e. HT-2(b) by 75 ps/unit to 95 ps/unit. Private Medical Care is evolving in Bangalore. The private health care has a profit motive and is equivalent to a business unlike the public health care. This is a commercial activity and the tariff to be levied must be equivalent to commercial tariff. Hence, it is proposed retain HT2(c)(i) Tariff and to increase the tariff rates of HT2(c)(ii) in par with HT2b category.
- IT Companies under IT/BT policy is costing on ESCOMs. They are also availing the other tariff incentives such as High Voltage rebate, Prompt payment incentive etc., and also getting energy at cheaper rates from IEX and Wheeling.
Proposal to shift Software installations from HT2a/LT5 category to new HT/LT sub category with tariff rates in between HT2a/LT5 and HT2b/LT3 category.

It is prayed before the Commission to consider the new proposed tariff design by BESCOMs.