

CHAPTER – 1

INTRODUCTION

1.0 Brief History of Hukeri Rural Electric Co-operative Society (HRECS)

Hukeri Rural Electric Co-operative Society (HRECS) was established on 21st July, 1969 as a rural electric co-operative society under the provisions of the Karnataka Co-operative Societies Act, 1959.

Hukeri Rural Electric Co-operative Society (HRECS) is a Distribution Licensee under Section 14 of the Electricity Act, 2003 (herein after referred to as the Act) responsible for purchase of power, distribution and retail supply of electricity to its consumers in the Hukeri Taluk of Belagavi District. The Society is catering to 116958 consumers as on 31st March, 2016.

During the year 2016, the Special Economic Zone namely AEQUS located in Hukeri taluk who had earlier availed HT power supply from HRECS has filed separate ARR for FY18 as a Distribution Licensee by procuring bulk power from HRECS.

The distribution area of HRECS is divided into the following divisions:

1. Hukeri East
2. Hukeri West
3. Sankeshwar
4. Yamakanamaradi
5. Hidkal Dam

The HRECS area has six numbers of 110 / 11 kV substations and two numbers of 33 / 11 kV sub-stations.

1.1 HRECS's Profile

The profile of HRECS is as indicated below:

As on 31-03-2016

Sl. No	Particulars		Statistics
1.	Area	Sq. km.	991.49
2.	Consumers	Nos	116,958
3.	Energy Consumption	MU	264.36
4.	Distribution Transformers	Nos.	2038
5.	Assets	Rs. Crores	6633.54

HRECS has filed its application for approval of APR for FY16 and ARR for FY18 and revision of Retail Supply Tariff for FY18. HRECS's proposals and the Commission's decisions thereon are discussed in detail in the subsequent Chapters of this Order.

1.2 Background for Current filing:

Hukeri RECS has filed its application for approval of APR for FY16, ARR for FY18 and revision of Retail Supply Tariff for FY18 on 30th November, 2016. The Commission, upon initial scrutiny, communicated its preliminary observations to HRECS on 21st December, 2016. HRECS has furnished its replies to the Commission on 28th December, 2016.

1.3 Public Consultation Process:

The Commission, in its letter dated 4th January, 2017 has treated the application of HRECS as petition and directed HRECS to publish the summary of ARR and Tariff proposals in the newspapers and call for objections from the stakeholders.

HRECS has published the summary of the tariff application in the following newspapers:

Name of the News Paper	Language	Date of Publication
The Indian Express	English	11-1-2017,
Deccan Herald		12-1-2017,
Kannada Prabha	Kannada	&
Vijaya Vani		10-1-2017, 11-1-2017,

In response to the notifications published in the above newspapers, the Commission had received two objections. Further, the Commission held a Public Hearing on 2nd March, 2017 at the Head office of Hukeri RECS at Hukeri.

1.4 SUGGESTIONS / OBJECTIONS & REPLIES

In pursuance of the provisions of section 64 of the Electricity Act, 2003, the Commission undertook the process of public consultation in order to obtain suggestions/views/objections from the interested stake-holders on the application of APR for FY16 and revision of ERC, ARR and Retail Supply Tariff Application for FY18. Some stake-holders and consumers have raised objections, in the written submissions as well as during the public hearing to the Tariff Applications filed by HRECS. The names of the persons who have filed written objections and made oral submissions are given below:

List of persons who filed written objections: -

Sl No	Application No.	Name & Address of Objectors
1	HK-01	Mr. Vikram Annappa, AEQUS SEZ Pvt. Ltd.
2	HK-02	Sri. Ramachandra V. Joshi, Fort Area, Hukkeri.

List of the persons, who made oral submissions during the Public Hearing, held on 02.03.2016.

SL.No.	Names & Addresses of Objectors
1	Sri. Ramachandra Joshi, Advocate.
2	Sri. B. B. Hanthi, Masaraguppi
3	Sri. Shivanand B Zirli, Hukkeri
4	Sri. Nagaraj Kooballi, Executive Engineer Incharge, HESCOM
5	Sri. Somashekar Mathapathi, Halladkeri
6	Sri. Ningappa Bhimappa Parita.

Gist of the objections of the stakeholders/public, HRECS's response and the Commission's Views.

1. Objections relating to Tariff Issues:	
Objections	Replies by HRECS
1) HRECS has indicated a tariff of Rs.7.71 per unit for SEZ for FY18, considering AEQUS, SEZ as a HT consumer instead of considering it as a deemed distribution licensee. HRECS should adopt the methodology approved by KERC for tariff fixation in respect of power purchase by deemed licensee.	The increase in cost would be Rs.1.32 per unit to recover the gap of FY16 and Rs.0.73 per unit to recover the gap estimated for FY18.
Commission's Views: The Commission has dealt with the matter appropriately in the relevant Chapter of the Tariff Order.	
2) The HRECS, in its ARR application has shown out the energy consumption forecast for AEQUS SEZ as 12.18 MU for FY 17 and 19.68 MU for FY18 & FY19. However, the Commission's approved quantity for FY 17 is 13.89 MU and 19.02 MU for FY17 and FY18 respectively. The AEQUS, SEZ in its application of ARR for FY18, has submitted the revised calculation at 14.43 MU and 19.590 MU for FY17 and FY18 respectively. HRECS should make a note on the changes in power requirement.	The request is noted. The revised power purchase requirement of Aequs SEZ is for the consideration of the Commission.
Commission's Views: the Commission has dealt with this matter appropriately in the relevant Chapter of this Tariff Order.	
3) The HRECS, in its application for ARR, has shown CAGR for SEZ as "ZERO", which should be corrected with the	The SEZ was categorized under tariff category of HT2(a) in the previous year and in the present filing, it is considered

actual CAGR of SEZ.	as deemed licensee and hence while forecasting the sales, the CAGR is shown as "ZERO".
Commission's Views: The reply furnished by HRECS is noted.	
4) The Commission, during the previous year's public hearing had promised that, the CGRF would be set up in HRECS area. But, the CGRF is not made functional till date and no meetings have been conducted by the Society.	It has already established Consumer Grievance Redressal Forum in its jurisdiction. As no complaints were received from the consumers, the meetings were not conducted. HRECS will give wide publicity and conduct the grievance redressal meetings in future.
Commission's Views: The reply furnished by HRECS is noted. The Commission directs HRECS to give wide publicity in its jurisdiction, to create awareness among the consumers, about the formation of CGRF and conduct regular meetings for the benefit of the consumers.	
5) HRECS is required to explain why it has proposed uniform hike of Rs.2.05 per unit across all types of the consumers in Hukeri.	The input energy cost has increased during FY16 and to bridge the gap it has proposed the uniform tariff hike for all categories.
Commission's Views: The reply furnished by HRECS is noted. The Commission has dealt with the matter appropriately, in the relevant Chapter of the Tariff Order.	
6) HRECS has indicated a distribution loss of 15.6% during FY16, which is an inflated figure to claim subsidy from the Government. The losses can be reduced by installing meters to each distribution transformer centre and conducting energy audit. The Commission is requested to examine the losses indicated by HRECS.	It is not adjusting the losses to the IP Set to claim the subsidy. Also, the distribution loss of HRECS for FY16 is at 15.20% only and it is less as compared to other ESCOMs.
Commission's Views: This issue has been dealt appropriately in the relevant Chapter of the Tariff Order.	

7) HRECS has declared that interest is paid on delayed payments made for the power purchase. The Commission should not allow this amount to be passed on to the consumers.	HRECS has stated that, the interest is being levied by HESCOM for delayed payments and the same has been factored in HRECS's accounts.
Commission's Views: The Commission has dealt with this matter appropriately in the relevant Chapter of this Tariff Order.	
8) HRECS has declared huge receivables from GoK and KPTCL, the Commission should view this seriously and check the details as per the accounts of HRECS.	HRECS has written letters to all the departments for collection of arrears. The arrears or the receivables will not have any bearing on the tariff revision, as these are considered on accrual basis.
Commission's Views: The reply furnished by HRECS is noted.	
9) HRECS has indicated a cost of Rs.10,99,739 as expenditure towards advertisements. The details of the advertisement and the subject of these ads should be disclosed.	HRECS has furnished the details in the annexure to reply furnished.
Commission's Views: The reply furnished by HRECS is noted.	
10) HRECS has spent Rs.3,68,930 towards postal and telephone charges for FY15 but, for FY16 it has increased to Rs.4,71,748. HRECS should explain the huge increase in the charges.	The higher postal and telephone charges are due to the society election as well as for providing group call SIMs to the Linemen. Further, any excess calls made by the employees would be deducted from their salaries.
Commission's Views: The reply furnished by HRECS is noted.	
11) The status of works under RGGVY, DDUGJY and NJY are to be furnished. The progress of Islampur and Shahabandar feeders is to be	The RGGVY works have been completed and an asset of Rs.7.07 Crores has been added. The NJY works are in progress and an asset of Rs.12.48 Crores is

disclosed. HRECS has to inform the amount spent in DDUGJY scheme.	included from NJY works. The progress of Islampur and Shahabandar feeders is dependent on completion of Hagedal 110kV substation. In case of DDUGJY works, project monitoring consultancy fee of Rs.601125/- has been paid and the e-tendering for awarding the work is in progress.
Commission's Views: The reply furnished by HRECS is noted.	

The gist of the submissions made during the Public Hearing, held on 2.03.2017.

- 1) Since two years, the farmers in the area of HRECS are suffering from severe drought and hence the tariff should not be increased.
- 2) The Lift irrigation and water supply units in the HRECS area are being supplied power by HESCOM. These installations are to be brought under HRECS.
- 3) Most of the posts in HRECS do not have permanent staff hindering proper decision making.
- 4) HRECS has not made any effort to collect the receivables of Rs.47 Crores from the Government.
- 5) The Vigilance workshop was conducted but, the suggestions made by the participants was implemented. HRECS should increase the vigilance activities.
- 6) HRECS is not disconnecting the power supply, for non-payment of bills for some of the high end consumers and lacks transparency in functioning.
- 7) The IP Set installations are to be provided 6 hours of power supply during the day time.

- 8) HRECS is not informing about load shedding in advance to the consumers.
- 9) HRECS is not claiming the benefits from the Government scheme on electrification and Solar power.
- 10) The Commission should increase the trading margin of HESCOM to 10 paise for the power supplied to HRECS.

The HRECS took note of the comments and suggestions and assured the Commission to address them suitably.