

GESCOM

Preliminary Observations on the Applications filed by the GESCOM for approval of APR for FY22 and ARR & Retail Supply Tariff for FY24 under MYT Framework

1. Sales:

A. Sales Other than IP sets-APR FY22:

a. The Commission, in its Tariff Order 2021 dated 09.06.2021, had approved total sales to various consumer categories at 7686.94MU, as against the GESCOM's proposal of 7667.51MU. The actual sales of GESCOM as per the current APR filing [D-2 FORMAT] is 7827.31 MU indicating increase in sales to the extent of 140.37 MU with respect to the approved sales.

The category wise sales approved by Commission and the actuals for FY 22 are indicated in the table below:

Energy Sales in MU

Category	Approved	Actuals	Difference (Actuals-Approved)
BJ/KJ consuming more than 40 units/month	6.52	8.69	2.17
LT-2a	1393.55	1303.88	-89.67
LT-2b	16.60	12.26	-4.34
LT-3	365.17	363.73	-1.44
LT-4b	2.99	3.34	0.35
LT-4c	1.28	3.50	2.22
LT-5	179.76	180.98	1.22
LT-6 WS	484.41	373.58	-110.83
LT-6 SL	255.65	218.86	-36.79
LT-7	29.79	25.04	-4.75
HT-1	125.59	126.63	1.04
HT-2a	1151.64	1208.86	57.22
HT-2b	85.89	65.82	-20.07
HT-2c	32.80	36.27	3.47
HT-3a & b	129.73	108.13	-21.60
HT-4	16.46	14.92	-1.54
HT-5	17.25	12.63	-4.62
Sub total	4295.10	4067.12	-227.98
BJ/KJ consuming up to 40 units/month	251.59	262.59	11.00
IP	3140.25	3497.60	357.35
Sub total	3391.84	3760.19	368.35
Grand total	7686.94	7827.31	140.37

The Commission notes that the increase in sales is mainly in LT-4a category and HT-2a category and reduction in sales is mainly in LT-2a, LT-6 water supply & street lights, HT-2b and HT-3 categories.

GESCOM shall analyze the reasons for reduction in sales in LT-2a, LT-6 water supply & street lights, HT-2b and HT-3 categories and increase in sales to HT-2a category.

- b. In order to analyse HT sales, GESCOM shall furnish the data of sales to HT2(a), HT2(b), HT-2c and HT-4 categories along with the consumption from open access / wheeling for the years 2020-21 and 2021-22 in the following format:

HT2A

Year	Sales by GESCOM	Energy procured by HT Consumers under open access / wheeling	Total of GESCOM Sales & OA/Wheeling consumption	% share of OA energy to Total energy
2020-21				
2021-22				

HT2B

Year	Sales by GESCOM	Energy procured by HT Consumers under open access / wheeling	Total of GESCOM Sales & OA/Wheeling consumption	% share of OA energy to Total energy
2020-21				
2021-22				

HT2C

Year	Sales by GESCOM	Energy procured by HT Consumers under open access / wheeling	Total of GESCOM Sales & OA/Wheeling consumption	% share of OA energy to Total energy
2020-21				
2021-22				

HT4

Year	Sales by GESCOM	Energy procured by HT Consumers under open access / wheeling	Total of GESCOM Sales & OA/Wheeling consumption	% share of OA energy to Total energy
2020-21				
2021-22				

- c. The breakup of BJ/KJ installations consuming less than or equal 40 units and above 40 units shall be furnished for FY-23 and FY 24, in the following format:

Particulars	No. of Installations	Consumption in MU
Installations Consuming less than or equal to 40 Units		
Installations consuming more than 40 units and billed under LT 2a		

B. Sales to IP Sets for FY22:

- a. GESCO has not submitted the signed copies of the calculation sheet and the abstract for FY22 and FY23 up to September 2022 deducting the feeder-wise actual losses from the consumption recorded in the feeders as per the format prescribed by the KERC. GESCO has not even submitted the soft copy of the calculation sheets substantiating its claim of sales in respect of IP sets. GESCO is directed to furnish the above details.
- b. The Commission, in the APR for FY21, vide its Tariff Order 2022 has approved the total sales to IP sets as 3,041.47 MU with a specific consumption of 7,536.36 units per IP set per annum for FY 21 for 4,07,519 number of installations. GESCO in its current filing has indicated the sales to IP sets as 3,497.60 MU for FY22 for 4,17,988 number of IP installations. The specific consumption works out to 8474 units per IP set per annum (as per Commission calculation) for a mid-year installation of 412754. Whereas GESCO has mentioned the specific consumption as 8,367.70 units per IP set per annum without considering the mid-year installations. The Commission notes that there is a huge increase in the specific consumption by 938 units per IP set per annum for FY22 and sales by 456.13 MU as compared to FY21. The reasons for the increase in the specific consumption and sales for FY22 need to be explained.
- c. The details of sales to IP sets for FY22 as approved by the Commission in its Tariff Order 2021 and the actual sales as furnished by GESCO in its Tariff Filing are as follows;

Particulars	As approved by the Commission in ARR for FY22 in TO FY21	As submitted by GESCO for APR of FY22 in the TF
Number of installations	4,24,313	4,17,988
Mid-year number of installations	4,18,142	412754
Specific consumption in units / installation / annum	7,510.02	8474
Sales in MU	3,140.25	3,497.70

- d. As seen from the above table, GESCOM has to furnish the reasons for, increase in specific consumption by 964 units / installation / annum, decrease of installations by 6,325 and an increase in sales by 357.45 MU when compared to the approved figures.
- e. GESCOM has to re-submit the correct data and the reasons for such abnormal consumption recorded throughout shall be explained.
- f. The actual sales in MU in page No: 125 is 3497.60 whereas in the DCB, page No: 192, it is 3856.44 MU. GESCOM has to submit the correct data considered for calculations.
- g. GESCOM has to furnish the data of GPS survey as on 31.03.2021 and 31.03.2022 by reconciling survey data with the number of installations in the DCB.

C. Category wise – Other than IP sets for FY24:

- 1. GESCOM has submitted that the number of installations is estimated based on the CAGR for FY17 to FY22 and has submitted that the CAGR growth rate is abnormal, which is attributed by GESCOM to the flood in FY19 and Covid19 in FY20 and FY21. Therefore, GESCOM, based on the increase or decrease in the number of installations, year on year, during the period FY17 to FY22, has added or subtracted certain number of installations to the numbers arrived at on the basis of five-years' CAGR.
- 2. **The Commission notes that the reason furnished for abnormal growth rate based on CAGR is not correct, as the formula used for computing CAGR considers only the FY22 and FY17 data and is not influenced by FY19, FY20 and FY21 data. The number of additions or deletions considered is ad-hoc and is not supported by any statistical or scientific analysis. GESCOM shall accordingly consider revising the projections.**
- 3. The table indicating the growth rates for the number of installations is furnished below:

Category	Percentage Growth Rates			
	2016-17 to 2021-22 CAGR	2018-19 to 2021-22 CAGR	FY22 growth over FY21	Growth rate proposed by GESCOM for FY24
LT-2a	4.81	5.11	3.58	3.43
LT-2b	6.26	5.06	5.30	4.73
LT-3	5.23	4.79	4.85	4.16
LT-5	3.73	3.72	4.05	3.05
LT-6 WS	10.53	6.19	-0.58	3.60
LT-6 SL	5.43	9.24	8.46	5.43
HT-1	6.44	6.79	7.19	6.28
HT-2 (a)	5.47	5.51	2.53	2.25
HT-2 (b)	5.64	5.92	4.61	9.60
HT-2 (c)	17.42	16.11	26.32	12.80
HT-3(a)& (b)	8.00	5.60	4.64	2.60
HT-4	12.05	18.32	20.45	7.27

It is observed that growth rate considered for LT-2a, LT-2b, LT-3, LT-5, LT-6WS & SL, HT-2a, HT-2c, HT-3 and HT-4 categories is lower compared with CAGR. Similarly, it is higher for HT-2b category. **GESCOM may reconsider revising its estimates for these categories.**

4. The table indicating the growth rates for the energy sales is furnished below:

Category	Percentage Growth Rates			
	2016-17 to 2021-22 CAGR	2018-19 to 2021-22 CAGR	FY22 growth over FY21	Growth rate proposed by GESCOM for FY24
LT-2a	4.59	5.13	-0.15	4.59
LT-2b	3.25	-4.19	28.24	3.24
LT-3	5.49	3.77	10.25	5.49
LT-5	2.01	1.78	2.45	2.01
LT-6 WS	13.15	1.56	-6.38	13.16
LT-6 SL	0.47	-4.68	6.00	0.47
HT-1	6.41	4.35	3.47	6.41
HT-2 (a)	5.94	1.85	32.65	5.94
HT-2 (b)	-1.43	-3.38	13.97	0.99
HT-2 (c)	14.95	11.34	52.08	14.94
HT-3(a)& (b)	3.87	-1.62	2.92	3.86
HT-4	2.68	1.19	-1.91	2.68

The Commission notes that the growth rate for FY22 over FY21 is not consistent with the CAGR for energy sales, in most of the categories, due to reduction in

sales during FY21 on account of Covid-19 and the sales picking up in the latter half of FY22. Thus, FY22 growth rate cannot be considered for estimating future values.

Further, the Commission notes that GESCOM has adopted five-years' CAGR for estimating energy sales for all categories except HT-2b. in case of HT-2b category since the CAGR is negative, GESCOM has considered 1% growth rate. **The Commission notes that, since the three-years' CAGR and five-years' CAGR are both negative, GESCOM may retain the sales to HT-2b category at FY22 level for both FY23 and FY24.**

5. In case of BJ/KJ, even though the number of installations has remained same for FY23 and FY24, the sales in FY24 has been increased. **Since, there is no additions to the number of installations, the sales of FY22 shall be retained.**

D. Projected sales to IP Sets for the FY24:

- a) Sales as per the actuals and the number of IP installations existing during the period April 2022 to September 2022 have not been considered for projection of sales to IP sets for FY23.
- b) GESCOM shall submit the feeder-wise, month-wise computation sheet in respect of assessment of sales to IP installations for the period April 2021 to March 2022 and April 2022 to September 2022.
- c) GESCOM has not indicated the methodology adopted for projection of number of consumers as well as sales. GESCOM shall furnish the detailed computations in respect of consumers and sales projections for FY23 and FY24.
- d) GESCOM shall furnish the number of installations, mid-year installations, specific consumption and the sales for the previous 5 years in the following format:

Particulars	FY-18		FY-19		FY-20		FY-21		FY-22	
	April 2017 to Sept 2017	Oct. to Mar 2018	April 2018 to Sept 2018	Oct. to Mar 2019	April 2019 to Sept 2019	Oct. to Mar 2020	April 2020 to Sept 2020	Oct. to Mar 2021	April 2021 to Sept 2021	Oct. to Mar 2022
LT4a – Installations (Nos)										

Midyear installations (Nos)										
LT4a – sales (MU)										
Specific consumption in units / IP/ annum										

E. Validation of Sales: To validate the sales, category-wise information in the following format shall be furnished:

a. No. of Installations:

Category	2020-21 Actuals		2021-22 Actuals		2022-23	
	As on 30 th Nov 2020	As on 31 st March 2021	As on 30 th Nov 2021	As on 31 st March 2022	As on 30 th Nov 2022	As on 31 st March 2023 (Estimate)
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6 WS						
LT-6 SL						
LT-6 EV Charging						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)& (b)						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP)						
BJ/KJ<=40units/month						
BJ/kJ > 40 units/month.						
IP sets-LT-4a						
Sub Total (BJ/KJ and IP)						
Grand Total						

b. Energy Sales

Category	2020-21 Actuals		2021-22 Actuals		2022-23	
	1st April 2020 to 30th Nov 2020 (cumulative)	1st Dec 2020 to 31st March 2021 (cumulative)	1st April 2021 to 30th Nov 2021 (cumulative)	1st Dec 2021 to 31st March 2022 (cumulative)	1st April 2022 to 30th Nov 2022 (cumulative actuals)	1st Dec 2022 to 31st March 2023 (cumulative Estimate)
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6						
LT-6						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)& (b)						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP sets)						
BJ/KJ<=40units/month						
BJ/KJ > 40 units/month						
IP sets LT 4a						
Sub Total (BJ/KJ and IP)						
Grand Total						

2. Distribution Losses

a. Distribution Loss for FY22:

1. GESCOM, in its APR filing for FY 22 has indicated the actual distribution loss of 10.54%, by considering input energy at IF points from March 2021 to February 2022. The GESCOM shall compute the actual distribution loss for the input energy from April 2021 to March 2022 and submit the same to the Commission for FY22.
2. GESCOM shall furnish the month-wise actual data of Energy Audit for Towns and Cities covered in its area of supply, duly indicating the reason for higher loss of towns and cities in the following format:

Month:

Name of the Town/City	FY22			Reason for higher loss
	Energy Input in MU	Energy Sold in MU	Distribution loss in %	
Total				

b. Distribution Loss for FY 24:

GESCOM, in its ARR filing has proposed to achieve the distribution losses of 10.50% for FY24 as against actual loss target of 10.54% already achieved in FY22. The Commission, in its Tariff Order dated 04.04.2022 has fixed the target of 10.25% for FY24. Hence, GESCOM shall reassess and submit the revised distribution losses for FY24. GESCOM shall have to give utmost importance to identify high loss making feeders, high loss making subdivision, division and circles and prioritize investments to specifically reduce losses and improve reliability of distribution system. But no such details are indicated in the filing. GESCOM should note that, the optimal distribution system loss should be less than 10% even to maintain the voltage regulations within the permissible limits of 9% for 11kV system and 6% for LT distribution system. GESCOM should plan towards bringing down the distribution system losses below 10.25%. GESCOM shall furnish the action plan for reducing the loss for FY24.

3. Observations on Capex:

a. APR-Capex for FY22:

1. The Commission, in its Tariff Order dated 9th June 2021, had recognized Rs.600 Crores as Capex for FY22, based on the previous years' achievements and the break-up of capex furnished by GESCOM. Considering the works to be carried out with equity, government grants, consumer contribution and the internal resources, the Commission had reckoned Rs.300 Crores as capital loan for the purpose of determination of Tariff for FY22.
2. GESCOM, in its filling has indicated a capital expenditure of Rs.256.81 Crores in Table-30 and in Format - A3-Cashflow statement, the actual capex is shown as

Rs.492.14 Crores, whereas in Format D-17, the Capital expenditure is shown as Rs.296.17 Crores. In view of the inconsistent figures relating to the actual capex incurred for FY22, **GESCOM is directed to furnish correct capex incurred under each sub-head of account code 14 Series for FY22, duly agreeing with the figures in audited accounts, along with furnishing the details in Annexure-1.**

3. GESCOM is directed to furnishing the following details:

- a. Division-wise, work-wise abstract pertaining to preventive measures to reduce the accidents for incurred capex of Rs.19.44 Crores along with progress achieved in terms of reduction in accidents, in the previous control period till date.
- b. Amount of capex paid by diversion of revenue.
- c. As per Format D-9, term loan for Capital works is shown as Rs.6 Crores only for having incurred the capex during FY22. In view of this, GESCOM is directed to furnish correct details of sources of funding (like grants, debt, equity and internal sources) besides loans raised to meet the capex incurred during the FY22, against each of the category of works.
- d. GESCOM under Format D-17, has indicated the opening and closing balance of work in progress and the asset capitalized during FY22, which does not match with the figures as per audited accounts for FY22. GESCOM shall resubmit the Format D-17, by considering the correct figure FY22 to FY24.

b. ARR- Capex for FY24:

1. The Commission, in its MYT Order 2022, based on the previous years' achievements and the projected works to be undertaken as per the Gol/ GoK schemes, to be partly met by the capital grants and the available internal resources, the Commission had approved and reckoned the Rs.500 as Crores capex for FY24, subject to prudence check. Considering GESCOM's projected availability of capital grants from Gol / GoK and the internal resources, the Commission had considered Rs.350 Crores, as capital borrowings for ARR of FY24.

2. GESCOM, in its tariff filing of ARR for FY24 has proposed the Capex of Rs.648.44 Crores and expected expenditure for Rs.500.15 Crores for FY24 in Table-71 and in addition to this Rs.940 Crores for FY24, has been proposed towards RDSS Scheme in response to cabinet approval in Table-72. In view of this, GESCOM is directed to clarify whether proposed RDSS scheme has to be considered in ARR of FY24 or not, along with copy of the Government Order for implementation of RDSS. Further, GESCOM is directed to furnish the following details with justification:
- a. GESCOM shall provide necessary justification on each of the works in terms of its purpose, requirement (duly prioritizing the works), cost and timelines of completion along with Division-wise abstract of works, no. of works proposed to be taken in each of the year for FY24.
 - b. Division-wise abstract of no. of beneficiaries and works pertaining to creation of infrastructure to UAIP to be carried out for the proposed capex of Rs.51 Crores.
 - c. During the Review Meeting of GESCOM on Energy Audit, the Commission had observed that, only 46.39% of DTCs are audited, out of 24.65% metered DTCs. The Commission had directed GESCOM to address the communication issues and ensure 100% auditing of metered DTCs with follow up action. In view of these directions, the Commission desires to know whether the proposed capex is for rectification of lacunae in the existing installed DTC meters or otherwise. Further, GESCOM is informed not to take up new works before ensuring the 100% auditing of already metered DTCs.
 - d. Division-wise, work-wise abstract pertaining to preventive measures to reduce the accidents for proposed capex of Rs.26 Crores.
 - e. To furnish complete details of works to be carried out under replacement of HT conductor by of 11KV AB cable for the proposed capex of Rs.15.00 Crores.
 - f. If the works under RDSS Scheme at a cost of Rs.940 Crores have been approved by the Government, GESCOM may furnish Division-wise abstract of works to be carried out under Revamped Reforms-Linked Results-Based Distribution Sector scheme along with details of approved

action plan and DPR approved by the appropriate authority, including the grants/subsidy from the GoK.

- g. GESCOM shall furnish the tariff impact on consumers for the proposed total capex of Rs.1588.44 Crores (Rs.648.44 Crores+Rs.940.00 Crores) by considering the source of fund for FY24. The source of fund to meet the total proposed capex shall be furnished. Further, GESCOM is directed to propose the capex keeping in view of its financial capability and its ability to take up new capital works keeping in view its capacity to take up capital works based on its past record.

c. Revised Capex for FY23: GESCOM has indicated revised capex of Rs.641.67 Crores and expected expenditure of Rs.464.89 Crores to be booked for FY23 in its filing. It may be noted that while GESCOM shall incur the capex within the approved capex for FY23, the Commission would examine the same during the truing up exercise while doing the APR for FY23.

4. Power Purchases:

a. Power Purchase- APR for FY22:

- 1) The GESCOM is directed to submit the D-1 Format in line with Annexure-2 of the Tariff Order 2021 with approved, actual quantum & Cost etc and difference between the two along with soft copy having formula reference wherever applicable (for example calculation of total cost, per unit variable and per unit total cost etc.).
- 2) In the Tariff Order 2022, regarding variation among the ESCOM, in variable charges, in respect of Thermal Power Stations, the Commission had directed BESCO to convene a coordination meeting involving all the ESCOMs within Two weeks from the issuance of the Tariff Oder and submit detailed minutes of the meeting to the Commission within two weeks from the date of conduct of meeting, for further needful action.
 - a) It appears no action has been taken in this regard by BESCO and no follow up action by GESCOM either.

b) The variation in variable charges in respect of Thermal Power Stations among ESCOMs has been continued this time also, as it was noted from the Tariff filings of ESCOMs for truing up of FY-22 as indicated below:

Variable Cost (Rs/kWh) as noted from Tariff filings of ESCOMs for truing up of FY-22						
Sl. No.	Source/ESCOM Name	BESCOM	MESCOM	CESC	HESCOM	GESCOM
A	KPCL Thermal					
1	RTPS -1 to 7	3.13	3.39	3.39	3.75	3.37
2	RTPS-VIII	3.31	3.58	3.58	3.83	3.58
3	BTPS Unit I	3.05	3.17	3.17	3.22	3.17
4	BTPS Unit II	2.88	3.00	3.00	2.93	3.00
5	BTPS Unit III	2.98	3.10	3.10	2.90	3.10
6	Yeramaras TPS	3.35	3.11	3.07	3.00	2.90
B	Central Projects					
1	N.T.P.C-Ramagundam, St-I & II	2.83	2.81	2.84		2.62
2	NTPC-Ramagundam, St-III	3.29	2.76	2.95	-	3.79
3	NTPC-Talcher, St-II	1.68	1.77	1.77		1.83
4	NTPC-Simhadri	3.15	2.93	3.52		3.29
5	NLC TPS2-Stage 1	2.64	2.66	2.66		2.65
6	NLC TPS2-Stage 2	2.65	2.66	2.66	2.65	2.52
7	NLC TPS-2-Expn 1 & 2	2.57	2.56	2.57		2.54
8	NLC TPS1-Expn	2.27	2.42	2.45	1.57	2.41
9	Tuticorin (NTPL)1&2	3.82	3.25	3.76	-	3.55
10	Vallur TPS 1,2 & 3	3.36	3.37	3.45	3.40	3.33
11	DVC Unit-1 & 2 Koderma	2.76	2.90	2.65		2.75
12	DVC Unit-7 & 8 Mejia TPS	2.90	2.65	2.90		2.79
13	Kudugi 1,2 & 3	3.98	4.02	4.21	-	3.99
14	NNTPS	2.19	2.19	2.20	2.18	2.18
C	IPPs-Major-Thermal					
1	UPCL	4.54	4.27	6.10	4.93	4.68

Further, it is noted that there is variation of variable charges of GESCOM as compared with other ESCOMs in respect of Thermal Power Stations other than KPCL also. GESCOM is directed to look into this aspect and provide proper justification for allowing different variable rates.

c) It is indicated in the filing that, GESCOM was not able to utilize the energy left unutilized from cheaper sources of energy and has purchased power

from other costlier sources. For example, GESCOM could have further reduced/avoided utilization of energy from UPCL thermal generating station (variable cost: Rs.4.68/unit and total cost: Rs.11.76/unit, as indicated in actuals,) by utilizing energy from MAPS (2X220MW) (variable cost/total cost: Rs.2.60/unit, as indicated in actuals), NTPC Bundled Power Coal new (variable cost/total cost: Rs.4.00/unit, as indicated in actuals), NTPC Bundled Power Coal old (variable cost/total cost: Rs.4.69/unit, as indicated in actuals), NTPC Solar Bundle power Solar new(variable cost/total cost: Rs.5.01/unit, as indicated in actuals), Ballary Thermal Power Station (BTPS) Unit-2 (variable cost: Rs. 3.00/unit and total cost: Rs. 5.74/unit) and Raichur Thermal Power Station (RTPS) Unit 1 - 7 (variable cost: Rs. 3.37/unit and total cost: Rs. 5.12/unit), etc. or even by utilizing the excess energy if available from other cheaper sources. Since the drawl of power is based on the load management by SLDC, has GESCOM observed this and advised SLDC to ensure drawal of power from unutilised cheaper power.

- 3) GESCOM shall explain the reason for increase in per unit cost of variable charges in respect of State, Central and UPCL thermal generating stations and in respect of Bundled power.
- 4) The GESCOM has claimed capacity charges of Rs. 18.98 Crores and variable cost of Rs. 162.97 Crores for KPCL Hydro. Whereas Commission in its approval has allowed only variable charges of Rs. 184.33 Crores. The reason for consideration of payment of capacity charges needs to be furnished.
- 5) The GECOM shall explain the reason for variation in total per unit cost in respect of Wind-IPPs, Mini Hydel-IPPs, Co-Generation IPPs, Bio Mass IPPs, Solar-existing IPPs and Solar KPCL Yapaldinni.
- 6) The GESCOM has indicated Energy to an extent of 16.95 MU, 8.66 MU, 67.29 MU and 72.44 MU in respect of 'Infirrm (solar/Non solar)', 'Unbanked (solar/Non solar)', 'IEX Purchase' and 'GTAM/GDAM(NS)' respectively, totalling to 165.34 MU without claiming any charges. GESCOM needs to provide clear justification in respect of each of the above along with providing meaning of 'Unbanked (solar/Non solar)' category means.

- 7) The Commission had not approved any energy for purchase under Co-generation under Medium Term. However, GESCO has shown purchase of 184.11 MU at a cost of Rs. 93.12 Crores. In this regard, GESCO has to provide clarification as to whether term of PPAs entered under Co-generation medium term still exists and for how long and if it exists what is quantum of energy? Is there an approval of Commission for the same?
- 8) GESCO has indicated, UI charges/south western railways charges of Rs. - 2.50 Crores against -25.40 MU, which works out to Rs. 0.98 /unit. Whether GESCO is analysing the reasons for the Deviations on regular basis and what is the action being taken/recommended by GESCO for reducing such Deviations, in consultation with SLDC? Further, in respect of above observation GESCO has to provide clear break up of energy and amount between UI charges and south western railways charges.
- 9) The GESCO has considered Rs. 149.41 Crores under the head 'prior period Expenses'. The details and reason for the incurring this amount need to be provided.
- 10) GESCO shall explain the deviations in expenditure incurred in respect of 'PCKL/POSOCO/RE' as compared to the approval given by the Commission.
- 11) **The amount of Rs. -75.38 Crores indicated in D-1 statement, in respect of Energy Balancing against -197.01 MU does not match with the energy balancing statement of ESCOMs, wherein the amount mentioned against the above energy is Rs. -89.687 Crores. Further, in arriving at the Grand Total of Cost incurred for FY22, in the D1 statement, GESCO has not included an amount of Rs. 8.03 Cores towards purchase of power from Total- Other Hydro (E) projects. Further, GESCO should ensure that when the total variable charges and capacity charges are added at any point of time in the D-1 statement, it should match with the total cost.**
- 12) **GESCO shall make sure that the values provided in D-1 Format are correct and match with the corresponding values provided in Director's Report (including category-wise values) and Annual Accounts of FY22.**

b. Power Purchase- ARR for FY24:

1. GESCOM, in its ARR filing has indicated its requirement of power at 9733.18 MU at a cost of Rs. 6188.54 Crores with per unit cost of Rs.6.36 for the FY24. The Commission, in its MYT Order dated 04.04.2022, had approved the energy requirement and power purchase cost at 9448.85MU at a cost of Rs. 4971.538 Crores with a per unit cost of Rs.5.262 for FY24. The source-wise difference in cost per unit between the Commission's approved power purchase cost and the projection made by GESCOM for FY24 are as under:

Sl. No	Source	KERC Approved for FY 2023-24			GESCOM Projections for FY 2023-24			Difference in Per unit Cost
		Energy	Amount	Avg. cost	Energy	Amount	Avg. cost	
		in MU	In Crs	In Rs	in MU	In Crs	In Rs	
1	2	3	4	5	6	7	8	
1	KPCL-Hydro	1335.72	152.12	1.14	1220.37	129.33	1.06	0.08
2	KPCL-Thermal	2310.56	1339.24	5.8	2535.45	1825.49	7.2	-1.40
3	Central Projects	2586.38	1229.07	4.75	2788.43	1536.46	5.51	-0.76
4	Major IPP(UPCL)	191.69	188.38	9.83	178.81	351.49	19.65	-9.82
5	Renewable Energy & Bundled Power	2999.01	1256.351	4.19	2984.03	1289.12	4.32	-0.13
6	Other Hydro	25.49	6.96	2.73	25.33	0.88	0.35	2.38
8	PGCIL & POSOCO Charges		148.261			255.84		0.00
9	KPTCL transmission charges and SLDC		651.155			543.58		0.00
10	Energy Balancing				0.38	0.5	13.25	-13.25
11	Deficit/Surplus				0.38			0.00
	Total	9448.85	4971.538	5.262	9733.18	6188.54	6.36	-1.10

It is seen from the above Table that GESCOM has proposed overall increase in per unit cost by Rs.1.10 as compared to the approved rate. GESCOM shall analyze the reasons for abnormal increase in the power purchase cost and submit the same to the Commission duly furnishing the basis for projecting the source-wise energy for FY24 with the explanation for projecting reduced/increased quantum of energy with high estimated cost.

2. The energy projection for FY24 in the D-1 Format shall match with the A-1 Statement.
3. GESCOM, shall furnish the basis with reason for considering the projection of **energy/cost for energy balancing and deficit/surplus.**
4. The basis and the computation sheet for reckoning the fixed cost and variable charges in respect of each of the thermal generating stations and other stations shall be furnished.

5. GESCOM shall furnish the basis of computations and the document in consideration of fixed cost and variable costs in respect of **BTPS unit-3**.
6. GESCOM shall furnish source-wise capacity and quantum of energy to be procured from RE projects, for which it has executed the PPAs.
7. GESCOM shall furnish the methodology for forecasting the RE energy from different sources for FY24.

5. Observations on Revenue/ Expenses:

a. Expenses for APR FY22:

- 1) GESCOM, while claiming the O&M expenses for FY22, under employees cost in D-6 Format, has factored Rs.160.40 Crores towards contributions to provident and other funds and Rs.41.99 Crores being the arrears towards P&G Trust. As per the audited accounts, an amount of Rs.202.20 Crores has been booked towards contribution to provident and other funds for FY22. Further, GESCOM has claimed Rs.198.84 Crores and Rs.213.71 Crores towards P&G contributions for FY23 and FY24 respectively. GESCOM shall submit the break up details for claiming these amount for FY22 to FY24, besides furnishing the reasons with computation sheet for claiming Rs.41.99 Crores of arrears towards P&G Trust for FY22.
- 2) GESCOM has claimed Rs.55.82 Crores towards interest on belated payment of power purchase bills for FY22. If the interest has been paid as per the Orders of the Commission or Hon'ble ATE, GESCOM shall submit the details along with details of Orders and date along with OP No./ Petition No. issued by this Commission/ various courts / Authority.
- 3) GESCOM shall submit the Government Order-wise details of additional equity infused during FY22 and FY23.
- 4) In the Format D-15, opening and closing balance of GFA are indicated. However, the GFA created out of consumer contribution & Grants for the year are not mentioned. GESCOM shall furnish the revised D-15 Format, duly indicating the opening & closing balances, additions, retirement of assets created out of consumer contribution & grants for the years FY22, FY23 and FY24 in order to verify the compliance of the directive as per the Orders of Hon'ble ATE in OP 46/2014 and for allowing the net depreciation on the GFA.

- 5) In Format D-11, GESCOM has claimed Rs.59.25 Crores as "Bad & Doubtful Debts provided for" under the head 'Other Debits'. GESCOM shall submit the breakup details for Rs.7.34 Crores.

b. Revenue/ Expenses -ARR for FY24

- 1) GESCOM has claimed interest on consumer security deposits at 4.25% per annum for FY23 and FY24. The basis for considering the Bank rate shall be explained.
- 2) GESCOM has claimed interest on working capital at 12% for FY23 and 12.50% for FY24, which is considered to be on the higher side as compared with the present lending rates and the provisions of MYT Regulations. GESCOM shall submit the basis for claiming higher interest rate on working capital.
- 3) GESCOM, while claiming the O&M expenses, has included amount payable due to revision of pay scale revision due from 01.04.2022 at the rate of 22% on basis pay for FY23 and FY24. In this regard GESCOM shall submit the order issued by the competent authority approving the revision of pay scales.
- 4) GESCOM shall submit the sanctioned / contract demand details of all the category of consumers as on 31.10.2022 and the category-wise /sub-category-wise slab- wise sales from 01.04.2022 to 31.10.2022.
- 5) The provisional audited accounts submitted by GESCOM for FY22 is not visible. GESCOM shall submit the visible audited accounts with Director's Report, DCB and subsidy details for FY22. The soft copy of the accounts may also be furnished along with replies.
- 6) GESCOM, in Format D-2 has indicated an amount of Rs.14.31 Crores as "service connection charges" for FY22, whereas for FY24, the same is not considered. The revenue from such sources shall be quantified / estimated and considered while filing the revised ARR application for FY24. Hence, GESCOM shall estimate the revenue from such sources and submit the same to the Commission for FY24.
- 7) GESCOM has proposed for withdrawal of Solar Rebate for LT-2a consumers. GESCOM shall furnish the revenue impact on this account.

- 8) GESCO has proposed to continue DERS scheme. However, it is observed that energy charges proposed for HT-2a category is Rs.6.10/unit. As such, GESCO shall explain how the DERC scheme will benefit GESCO.
- 9) GESCO has proposed increase in fixed / demand charges for both LT and HT categories. GESCO shall furnish the status of fixed / demand charges in FY22 (Actual), FY24 (with the current tariff) and FY24 (with the proposed tariff) in the following format:

Year	Fixed Cost component in the ARR Rs.in Crores	Portion of fixed / demand charges in the total revenue Rs.in Crores-	% of fixed cost in the tariff % As per D-21 Format
FY22 (Actuals)			
FY24 (as per current tariff)			
FY24 (with the proposed tariff)			

6. RPO Compliance for FY22:

GESCO in its filing, has stated that against the target RPO for FY22 of 8% for Non-solar and 10.50% for Solar, it has complied with 17.37% of Non-Solar RPO and 17.50% Solar RPO.

GESCO shall furnish break-up of energy ails for Mani dam power house, Shimsha and Shivanasamudra projects separately along with cost. Also, the hydro energy included in energy balance shall be furnished separately.

As per D-1 Format the energy purchased net of Hydro is 6683.57 (8755.57-2051.70-20.30), whereas in Table-78, page 131, it is indicated as 6736.11MU. The data shall be reconciled with the audited accounts.

As per D-1 Format the solar energy purchased is as follows:

Source	MU
PPA	1049.86 (914.53+135.33)
KPCL	2.47
NTPC bundled	200.49 (187.06+13.43)
SRTPV	8.36
Total	1261.18

It is noted that at page 131 the solar energy considered for FY22 compliance is shown as 1178.74 MU against 1261.18 MU as per D-1 Format. **GESCOM shall clarify and shall also furnish the break up of banked and infirm energy from solar separately. The solar energy purchased & sold in IEX, Green energy sold at green tariff, energy purchased under APPC rate may also be furnished, duly tallying with audited accounts.**

As per D-1 format the Non-solar purchased is as follows:

Source	MU
Wind	1354.86
Mimi-Hydel	162.25
Co-gen	69.50
Co-gen medium term	184.11
Bio-mass	43.17
Total	1813.89

It is noted that at page 105, the Non-solar energy considered for FY22 compliance is 1170.03 MU against 1813.89 MU as per D-1 Format. **GESCOM shall furnish the break up for banked and infirm energy from Non-Solar energy, Non-solar energy purchased & sold in IEX, Green energy sold at green tariff and purchased under APPC rate. GESCOM shall reconcile the above data with respect to audited accounts and also consider Shimsha & Mani power generation under Non-solar RPO.**

For validating the RPO compliance and to work out the APPC, GESCOM shall furnish the data as per the Format indicated below, duly reconciling the data with audited accounts for FY22 (each item in the table shall be indicated distinctly):

i. Non-solar RPO:

No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase quantum from all sources excluding Hydro energy		
2	Non-solar Renewable energy purchased under PPA route at Generic tariff including Non-solar RE purchased from KPCL		
3	Non-solar Short-Term purchase from RE sources, excluding sec-11 purchase		
4	Non-solar Short-Term purchase from RE sources under sec-11		
5	Non-solar RE purchased at APPC		

6	Non-solar RE pertaining to green energy sold to consumers under green tariff		
7	Non-solar RE purchased from other ESCOMs/market		
8	Non-solar RE sold to other ESCOMs/market		
9	Non-solar RE purchased from any other source like banked energy purchased at 85% of Generic tariff/infirm energy		
10	Total Non-Solar RE Energy Purchased [No 2+ No.3+No.4+No.5 +No.7+No.9]		
11	Non-Solar RE accounted for the purpose of RPO [No.10- No.5-No.6-No.8]		
12	Non-solar RPO complied in % [No11/No1]*100		

ii. Solar RPO:

No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase quantum from all sources excluding Hydro energy		
2	Solar energy purchased under PPA route at Generic tariff including solar energy purchased from KPCL		
3	Solar energy purchased under Short-Term, excluding sec-11 purchase		
4	Solar Short-Term purchase from RE under sec-11		
5	Solar energy purchased under APPC		
6	Solar energy pertaining to green energy sold to consumers under green tariff		
7	Solar energy purchased from other ESCOMs/market		
8	Solar energy sold to other ESCOMs/market		
9	Solar energy purchased from NTPC (or others) as bundled power		
10	Solar energy purchased from any other source like banked energy purchased at 85% of Generic tariff/infirm energy		
11	Total Solar Energy Purchased [No2+ No.3+No.4+No.5+No.7+No.9+No.10]		
12	Solar energy accounted for the purpose of RPO [No.11- No.5-No.6-No.8]		
13	Solar RPO complied in % [No12/No.1]*100		

7. Wheeling charges:

GESCOM has proposed wheeling charges of 67.10 paise / unit for HT network and 156.57 Paise / unit for LT network and the corresponding distribution loss of 3.15% and 7.35% respectively. GESCOM has requested to levy the above charges to all OA/wheeling transactions including RE sources.

As far as wheeling charges and banking facility for RE sources is concerned, the Commission notes that the 2018 order in the matter of banking is pending before

the Hon'ble Supreme court of India and the 2018 order on wheeling charges is pending before the Hon'ble High Court of Karnataka.

The Commission in the meanwhile had issued a discussion paper on wheeling charges and banking facility and considering the stakeholder's comments directed KPTCL/ ESCOMs to conduct a study in the matter. The study on Wheeling charges & Banking facility entrusted to Prayas, Pune by PCKL is completed and a public hearing on the above report was held by the Commission on 08.09.2022. Few of the stakeholders have requested for certain information and the Commission has directed PCKL to furnish the information requested by such stakeholders. The Commission would take appropriate action in the matter.

Further, the Central Government has notified the Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022, which has become effective from 06.06.2022 and as envisaged under Rule-5, this Commission has issued the draft Green Energy Open Access Regulations. The Commission has concluded the public hearing in the matter of GEOA Regulations and would finalise the same shortly.

8. Cross-subsidy surcharge:

GESCOM has proposed the following CSS for FY24 based on formula specified in tariff policy, 2016:

	Paise/unit						
Voltage	HT1	HT2a	HT2b	HT2c	HT3	HT4	HT5
66kV & above	85.67	149.03	308.01	79.20	0.00	242.60	574.28
HT level	0.00	0.00	308.01	0.00	0.00	126.02	574.28

GESCOM shall file CSS for each of the HT- tariff sub-categories separately, as per the KERC Regulations. GESCOM shall furnish working details for cost of supply at HT level and EHT level.

9. Additional surcharge:

GESCOM has proposed additional surcharge of 96 paise/unit for FY24 considering the ARR of FY24.

As regards the methodology for computation of additional surcharge, the Commission notes that, in Appeal No.260/2018 and 43/2021, the Hon'ble ATE in its order dated, 15.09.2022, as directed the Commission to bear in mind the submissions made by the Appellants, as and when the Commission sets about to pass an order in the matter and also to keep in mind the guidance on the subject provided not only by the NTP but also the Regulations framed by the Commission, wherein the muster prescribed is "conclusive demonstration on existence of factors justifying such levy". The said order is available on the ATE's Website. **Keeping in view the observations of the Hon'ble ATE, GESCOM shall conclusively demonstrate and furnish the details of stranded costs involved to justify the claim of additional surcharge. In the absence of full details of the stranded costs to justify the Additional Surcharge, it would not be possible for the Commission to determine the Additional surcharge, so as to comply with the Orders of the Hon'ble ATE.**

The relevant extract of the Orders of the Hon'ble ATE is as under:

7. *"It is the contention of the appellants that most basic data that is essential to be gathered examining whether or not there is any stranded capacity on account of the drawal of power by the open access customers from other sources comprises the information as to the extent to which the licensees were compelled to back down any long term power source during the time blocks when there was open access concession, the distribution licensees were constrained to procure power on short term basis, and the distribution licensee had to take resort to power cuts or regulate the power supply in the State this being indicative of insufficient availability of power to meet the actual demand.*
8. *In the submissions of the appellants, in order to examine and compute the claim of stranded capacity and computation of additional surcharge, information as to open access consumption,*

unscheduled capacity short term power purchase and power cuts imposed, if any, on time block basis is sine qua non. The submission is that since such exercise was not undertaken by the Commission, it cannot be said that the distribution licensees had conclusively demonstrated their case for approval of the rate proposed for determination of the additional surcharge."

10. **Observations on Directives:**

Directive No	Directives Issued by the Commission	Observation made
4	Directive on implementation of Standards of Performance (SoP)	<p>GESCOM was directed to conduct awareness campaign at the Hobli levels for educating the public about the Standards of Performance prescribed by the Commission. GESCOM was required to conduct necessary orientation programme for all the field officers and the staff up to linemen to educate them on the SoP and the consequences of non – adherence to the SoP.</p> <p>GESCOM has not reported anything on the conduct of awareness campaigns in the Hobli levels for educating consumers. GESCOM shall submit the compliance.</p>
5	Directive on use of safety gear by linemen	The GESCOM has submitted that it has provided safety gear to the Power men. GESCOM shall submit the details indicating the number of linemen, both appointed on regular basis and on contract basis, who are provided with complete set of safety gear and the definite timeline by which all the remaining linemen will be provided with the complete set of safety gear including the additional tools if any proposed to be given. Details of the action taken on erring staff also be furnished.
7	Directive on Load shedding	<p>GESCOM has not taken action to update the entire consumer data on the application software used for public information system on power system interruption etc.,</p> <p>The GESCOM shall submit compliance in this regard.</p>
8	Directive on establishing a 24x7 fully equipped centralized consumer service centers	<p>GESCOM has submitted the number of Complaints received and disposed of for the FY 2022 and FY 2023 (up to September 2022). GESCOM was directed to reduce the consumer downtime to address the complaints. GESCOM is directed to report average time taken to attend to a complaint as at present and the efforts made to reduce the downtime further in future.</p> <p>The GESCOM shall furnish compliance in this regard. Comparison of the downtime analysis for FY21 and FY22 shall be furnished.</p>

Directive No	Directives Issued by the Commission	Observation made
9	Directives on Energy Audit	<p><u>Energy Audit of cities / towns</u> GESCOM shall indicate the definite timeline by which it will complete the consumer indexing for taking up energy auditing effectively.</p> <p><u>DTCs Energy Audit:</u></p> <p>GESCOM was directed to furnish the details of energy audit conducted in respect of DTCs for which meters have been fixed and the remedial measures initiated to reduce losses in those DTCs every month, to the Commission regularly.</p> <p>GESCOM has not clearly mentioned on the status of communication system provided, action taken to achieve 100% communication and to analyze the data towards remedial measures for setting right the issues, conducting energy audit etc. GESCOM shall furnish the details on the number of meters provided to DTCs to have AMI in place by the earlier agencies, percentage of communication achieved, % age energy audit conducted with the AMI fetched readings etc., GESCOM shall submit the details of energy audit conducted for the metered DTCs and the timeline by which all the remaining DTCs will be metered and audited.</p>
13	Directive on Implementation of Financial Management Framework	<p>GESCOM has to submit the compliance in respect of implementation of Financial Management Framework, on quarterly basis regularly to the Commission.</p> <p>GESCOM shall furnish the action taken to collect huge arrears in respect of the O&M Divisions, where the CB ratio is high including the arrears from the Government installations.</p>
14	Prevention of Electrical Accidents	<p>GESCOM shall furnish the details of hazardous locations identified, the balance number of hazardous locations to be rectified for FY22 and FY23 till October 2022 along with an action plan to rectify them.</p> <p>GESCOM shall furnish the summary of the analysis made on the reports submitted by Electrical Inspectorate for FY22 and FY 23 up to September 2022, action taken to prevent such accidents in future.</p>
New	New Directive issued in Tariff Order 2022	<p>The KPTCL and ESCOMs were directed to comply with the timelines prescribed by the Commission on issue of NOC for wheeling and banking of energy in respect of Open Access Consumers.</p> <p>GESCOM is yet to furnish compliance thereon, so far.</p>
