

No. N/169,201,206/16

BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION,

BENGALURU

Dated: 4th May 2017

Present:

Shri M.K.Shankaralinge Gowda .. Chairman
Shri H.D.Arun Kumar .. Member
Shri D.B. Manival Raju .. Member

OP No.87/2016

BETWEEN:

Bangalore Electricity Supply Company Ltd.,
K.R. circle, Bengaluru- 560 001. ...
(Represented by Sri Shahbaaz Hussain, Advocate)

PETITIONER

AND

Nil

RESPONDENT

OP No. 101/2016

BETWEEN:

Mangalore Electricity Supply Company Ltd.,
MESCOM Bhavan, Bejai,
Kavor Cross Road,
Mangaluru – 575 004. ...
(Represented by Sri Shahbaaz Hussain, Advocate)

PETITIONER

AND

Nil

RESPONDENT

OP No. 102/ 2016

BETWEEN:

Hubli Electricity Supply Company Ltd.,
P.B. Road, Navanagar,
Hubballi- 580 025.

PETITIONER

(Represented by Sri Shahbaaz Hussain, Advocate)

AND

Nil

RESPONDENT

ORDER

1. The Petitioners have filed these petitions with a common prayer for increase in the Demand Charges for HT consumers. The Counsel for the petitioners submitted that the matter is covered in the Tariff Petitions filed by the ESCOMs, published for public response. During the course of hearing, the Federation of Karnataka Chambers of Commerce and Industry (FKCCI), Bengaluru, stating to be affected party had filed an application to intervene in the proceedings. The FKCCI was granted time to file Objections.
2. Considering the submission of the Counsel for the petitioners, we had directed clubbing of these petitions with the Tariff petitions of the ESCOMs.
3. In its Tariff Orders dated 11.04.2017, the Commission has passed the following Order on such request, in respect of each of the petitioners, after considering the submissions of all the concerned:

In respect of BESCOM in Chapter 6 of the Tariff Order:

v) Increase in Demand Charges and reduction in energy charges to all the HT consumers

BESCOM in its petition dated 16th February, 2017 has proposed increase in Demand Charges (Fixed Cost) and reduction in energy charges to all the HT consumers for the following reasons:

- i) The ratio of fixed and variable cost of power purchase cost payable to the private generators is 33: 67.

OP.Nos.87/2016, 101/2016 & 102/2016,

- ii) All the ESCOMs in the state are recovering the fixed cost of their distribution network in the ratio of 11:89.
- iii) BESCO is recovering 22% of the fixed cost through energy charge (variable charge) and since the HT consumers are opting for open access, it is not able to recover the variable costs which include the fixed cost by Rs.10/- (Rupees Ten only) Per KVA/HP/KW for all the consumers.
- iv) The contribution of Fixed cost is only 11% of the ARR and the remaining fixed cost is camouflaged in the energy charges, which are higher.

With the above justification, the BESCO has proposed to increase the Demand charges upto Rs.250 per KVA of the billing demand from the existing Demand Charge of Rs.180 -200 per KVA. BESCO has also proposed reduction energy charges ranging between 45 Paise to 95 paise per unit to the various categories of HT consumers.

Consumers' Response:

The representatives of small-scale industries have opposed the proposal for increasing the Demand Charges. They have contended that BESCO has not furnished the working details of fixed charges and its percentage to the total fixed charges being incurred. It is submitted that as per the provisions of the Electricity Act, 2003, the BESCO should realise the cost of supply from all the categories of consumers and should not confine recovery of fixed cost only to a specific category of consumers.

Commission's analysis and decision:

BESCO, in its petition has considered the recovery of Fixed Cost (FC) of generation sources and the distribution network. It has not considered the FC involved in transmission of power and the SLDC charges which are one of the major components of the ARR. Further, seeking increase in demand charges only for HT consumers and increase in energy charges for higher slabs of domestic consumers while reducing the energy charges to HT consumers does not appear to a proper approach to retain HT consumers, in its fold. Any proposal to encourage sale or to improve the ESCOM's finances should be made by keeping the interest of all the consumers in mind and the treatment to various class of consumers across the ESCOM should be just and equitable. Hence, the Commission is unable to accept the proposal of BESCO to increase the Demand Charges of its HT consumers and also to selectively increase the energy charges under higher slabs of domestic consumers.

OP.Nos.87/2016, 101/2016 & 102/2016,

The Commission in its Tariff Order dated 30th March, 2016 had considered increase in demand charges to the consumers of all the ESCOMs in the State.

“As per the new Tariff Policy issued by the Ministry of Power, Government of India, dated 28th January, 2016, two-part Tariff featuring separate fixed and variable charges shall be introduced for all consumers. In order to ensure their financial viability, it is imperative that the fixed expenditure incurred by the ESCOMs is recovered in the form of fixed charges. On a study of the existing rate of fixed charges levied on the consumers and the amount collected thereon, it is observed that fixed charges need to be increased gradually to meet the above objective”.

In pursuance of the above, the Commission has again reviewed the status of recovery of fixed charges while revising the tariff for FY18. The fixed costs to be incurred by BESCO to supply power to its consumers for FY18, consists of the following components:

Activity	Total Fixed Cost to be incurred -Rs. Crs.
Generation	2648.78
Transmission including SLDC charges	1881.02
Distribution network cost	1483.41
Total Fixed cost of BESCO	6013.21

The approved Net ARR of BESCO is Rs. 16914.19 Crores out of which, RS.6013.21 Crores is towards fixed cost. As per the existing Revenue rates, BESCO recovers an amount of Rs. 1922.71 Crores towards the fixed cost, which accounts for recovery of 32% of the fixed cost, incurred by the BESCO.

Since the Commission has decided to increase the FC year on year gradually, an increase ranging between Rs. 10 to Rs.20 has been considered now while approving the tariff to various categories of consumers. The details of the actual increase are indicated in the tariff schedule of each of the consumer categories.

In respect of MESCOM in Chapter 6 of the Tariff Order:

ii) Petition seeking increase in Demand Charges and energy charges to HT consumers.

MESCOM in its petition No.101/2016 has proposed increase in Demand Charges (Fixed Cost) and reduction in energy charges to HT-1, HT-2(a)(b) (c) and HT4 consumers for the following reasons:

- v) The ratio of fixed and variable cost of power purchase cost payable to the private generators is 33: 67
- vi) All the ESCOMs in the state are recovering the fixed cost of their distribution network only 9% of the ARR, the balance 24% of the fixed cost through energy charge (variable charge)
- vii) MESCOM, it is not able to recover the variable costs which include the fixed cost by Rs.10/- (Rupees Ten only) Per KVA/HP/KW from the HT consumer opting for open access.
- viii) The contribution of Fixed cost is only 9% of the ARR and the remaining fixed cost is camouflaged in the energy charges, which are higher.

With the above justification, the MESCOM has proposed to increase the Demand charges upto Rs.250 per KVA of the billing demand from the existing Demand Charge of Rs.180 -200 per KVA. MESCOM has also proposed reduction in energy charges ranging between 20 Paise to 85 paise per unit to the various categories of HT consumers.

Consumers' Response:

The representatives of small scale industries have opposed the proposal for increasing the Demand Charges. They have contended that MESCOM has not furnished the working details of fixed charges and its percentage to the total fixed charges being incurred. It is submitted that as per the provisions of the Electricity Act, 2003, the MESCOM should realise the cost of supply from all the categories of consumers and should not confine recovery of fixed cost only to a specific category of consumers.

Commission's analysis and decision:

OP.Nos.87/2016, 101/2016 & 102/2016,

MESCOM, in its petition has considered the recovery of Fixed Cost (FC) of generation sources and the distribution network. It has not considered the FC involved in transmission of power and the SLDC charges which is one of the major components of the ARR. Further, seeking increase in demand charges only for HT consumers and increase in energy charges for higher slabs of domestic consumers while reducing the energy charges to HT consumers does not appear to a proper approach to retain HT consumers in its fold. Any proposal to encourage sale or to improve the ESCOM's finances should be made by keeping the interest of all the consumers in mind and the treatment to various class of consumers across the ESCOM should be just and equitable. Hence, the Commission is unable to accept the proposal of MESCOM to increase the Demand Charges of its HT consumers, in total.

The Commission in its Tariff Order dated 30th March,2016 had considered increase in demand charges to the consumers of all consumer in the State. While doing so it had observed that:

“As per the new Tariff Policy issued by the Ministry of Power, Government of India, dated 28th January, 2016, two-part Tariff featuring separate fixed and variable charges shall be introduced for all consumers. In order to ensure their financial viability, it is imperative that the fixed expenditure incurred by the ESCOMs are recovered in the form of fixed charges. On a study of the existing rate of fixed charges levied on the consumers and the amount collected thereon, it is observed that fixed charges needs to be increased gradually to meet the above objective”.

In pursuance of the above, the Commission has again reviewed the status of recovery of fixed charges while revising the tariff for FY18. The fixed costs to be incurred by MESCOM to supply power to its consumers for FY18, consists of the following components:

Activity	Total Fixed Cost to be incurred -Rs. Crs.
Generation	339.09
Transmission including SLDC charges	303.95
Distribution network cost	366.18
Total Fixed cost of MESCOM	1009.22

OP.Nos.87/2016, 101/2016 & 102/2016,

The approved Net ARR of MESCOM is Rs. 3073.36 Crores out of which, RS.1009.32 Crores is towards fixed cost. As per the existing Revenue rates, MESCOM recovers an amount of Rs.251.30 Crores towards the fixed cost, which accounts for recovery of 24.90% of the fixed cost, incurred by the MESCOM.

Since the Commission has decided to increase the FC year on year gradually, an increase ranging between Rs. 10 to Rs.20 has been considered while approving the tariff to various categories of consumers. The details of the actual increase is indicated in the tariff schedule of each of the consumer categories.

In respect of HESCOM in Chapter 6 of the Tariff Order:

ii) Petition seeking increase in Demand Charges and reduction energy charges to HT consumers

HESCOM in its petition No.102 of 2016 dated 8th February, 2017 and other ESCOMs in their application has proposed increase in Demand Charges (Fixed Cost) and reduction in energy charges to HT-1, HT-2(a)(b)(c) and HT4 consumers for the following reasons:

- i) The ratio of fixed and variable cost of power purchase cost payable to the private generators is 33: 67
- ii) All the ESCOMs in the state are recovering the fixed cost of their distribution network only 9% of the ARR, the balance 24%. of the fixed cost through energy charge (variable charge)
- iii) ESCOM, it is not able to recover the variable costs which include the fixed cost by Rs.10/- (Rupees Ten only) Per KVA/HP/KW from the HT consumer opting for open access.
- iv) The contribution of Fixed cost is only 15% of the ARR and the remaining fixed cost is camouflaged in the energy charges, which are higher.

With the above justification, the HESCOM has proposed to increase the Demand charges upto Rs.250 per KVA of the billing demand from the existing Demand Charge of Rs.180 - 200 per KVA. HESCOM has also proposed reduction in energy charges ranging between 20 Paise to 85 paise per unit to the various categories of HT consumers.

Consumers' Response:

OP.Nos.87/2016, 101/2016 & 102/2016,

The representatives of small scale industries have opposed the proposal for increasing the Demand Charges. They have contended that HESCOM have not furnished the working details of fixed charges and its percentage to the total fixed charges being incurred. It is submitted that as per the provisions of the Electricity Act, 2003, the HESCOM should realise the cost of supply from all the categories of consumers and should not confine recovery of fixed cost only to a specific category of consumers.

Commission's analysis and decision:

HESCOM, in its petition has considered the recovery of Fixed Cost (FC) of generation sources and the distribution network. It has not considered the FC involved in transmission of power and the SLDC charges which is one of the major components of the ARR. Further, seeking increase in demand charges only for HT consumers and increase in energy charges for higher slabs of domestic consumers while reducing the energy charges to HT consumers does not appear to a proper approach to retain HT consumers in its fold. Any proposal to encourage sale or to improve the ESCOM's finances should be made by keeping the interest of all the consumers in mind and the treatment to various class of consumers across the ESCOM should be just and equitable. Hence, the Commission is unable to accept the proposal of HESCOM to increase the Demand Charges of its HT consumers, in total.

The Commission in its Tariff Order dated 30th March,2016 had considered increase in demand charges to the consumers of all consumer in the State. While doing so it had observed that:

“As per the new Tariff Policy issued by the Ministry of Power, Government of India, dated 28th January, 2016, two-part Tariff featuring separate fixed and variable charges shall be introduced for all consumers. In order to ensure their financial viability, it is imperative that the fixed expenditure incurred by the ESCOMs are recovered in the form of fixed charges. On a study of the existing rate of fixed charges levied on the consumers and the amount collected thereon, it is observed that fixed charges needs to be increased gradually to meet the above objective”.

In pursuance of the above, the Commission has again reviewed the status of recovery of fixed charges while revising the tariff for FY18. The fixed costs to be incurred by HESCOM to supply power to its consumers for FY18, consists of the following components:

Activity	Total Fixed Cost to be incurred -Rs. Crs.
Generation	1139.04
Transmission including SLDC charges	738.57
Distribution network cost	788.24
Total Fixed cost of HESCOM	2665.85

The approved Net ARR of HESCOM is Rs. 6791.16 Crores out of which, Rs.2665.85 Crores is towards fixed cost. As per the existing Revenue rates, HESCOM recovers an amount of Rs. 321.86 Crores towards the fixed cost, which accounts for recovery of 12.07% of the fixed cost, incurred by the HESCOM.

Since the Commission has decided to increase the FC year on year gradually, an increase ranging between Rs. 10 to Rs.20 has been considered while approving the tariff to various categories of consumers. The details of the actual increase is indicated in the tariff schedule of each of the consumer categories.

4. The common prayer in these petitions, is answered in the Tariff Orders dated 11.4.2017, as above, and hence, nothing survives for further consideration. Therefore, these petitions stand disposed of, in terms of the Tariff Orders dated 11.4.2017.

Sd/-
(M.K.Shankaralinge Gowda)
Chairman

Sd/-
(H.D.Arun Kumar)
Member

Sd/-
(D.B.Manival Raju)
Member