

HESCOM

Preliminary Observations on Approval of APR for FY12, Business Plan and ARR for F14 – FY16 & Tariff filing for FY14

1. General Observations on ERC / Tariff filing application:

As per KERC (Tariff) Regulations, 2000, ESCOMs are required to file their tariff applications along with relevant forms as specified in the Regulations namely A1 to A4 and D1 to D24. However in the present filing of HESCOM the following formats are not enclosed to the tariff application.

- i) D6(a), D18, D22 to D24

HESCOM is directed to furnish required formats duly filled in as observed above and also furnish the full details.

2. Annual Performance Review for FY12:

a) Power Purchase:

The Commission in its Tariff order dated 28th October 2011, while allowing cost of power purchase for FY11 had directed to reconcile energy / costs among the ESCOMs and reflect the same in their books of accounts. In this regard, HESCOM is requested to furnish the status of energy balance and reconciliation for FY11 and FY12 with reference to cost and quantum and clarify whether the same is reflected in the accounts and action taken to liquidate payables / receivables on account of reconciliation with other ESCOMs. HESCOM is directed to furnish replies on the above observations.

b) O & M expenses:

The Commission while allowing O & M expenses for FY12 had considered an amount of Rs.34.96 Crores towards additional employee cost on account of pay revision. In this regard HESCOM shall furnish the details of actual employee cost incurred on account of pay revision for FY12.

c) Capex for FY12:

An amount of Rs.60.50 Crores is reported to have been spent on replacement of failed distribution transformers of similar capacities. HESCOM is directed to furnish the details of the transformers failed and replaced during the year.

3. Annual Revenue Requirement for FY14 – FY16:

a) Sales estimates for FY14-16

HESCOM has worked out the sales forecast and the forecast of installations based on CAGR from the period FY09 to FY12. Wherever there was abnormal growth rates HESCOM has modified the growth rates.

Since the actual data is available till the end of November-12, HESCOM needs to estimate the sales & number of installations considering actuals up to November-12 and reasonable estimates for the remaining period. Based on these, projections needs to be re-estimated for FY13.

For the purpose of validating the sales, HESCOM shall furnish the following data for the years FY11, FY12 & FY13:

Sales-MU

Month	FY11			FY12			FY13*		
	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
Jan									
Feb									
March									
Total									

Note: FY13 actual up to Nov-12 & estimates for the remaining period

HESCOM shall furnish the details of installations as under:

Numbers

Month	FY11			FY12			FY13*		
	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
Jan									
Feb									
March									
Total									

Note: FY13 actual up to Nov-12 & estimates for the remaining period

The following are the category wise observations on sales forecast for the control period FY14 – FY16:

The range in year on year growth rate in the number of installation and sales from FY07 to FY12 (five year CAGR) and the CAGR for the period FY09 to FY-12(3year CAGR) & for the period FY08 to FY-12 and the proposed increase for the control period for various major categories is indicated below:

Category	FY08- FY12 range of %Growth	CAGR for the period FY07 to FY- 12	CAGR for the period FY09 to FY- 12	Proposed %increase for FY-14 for HESCOM	Proposed %increase for FY-15 for HESCOM	Proposed %increase for FY-16 for HESCOM
LT-1 Instl.	1.33% to 12.79 %	7.58%	4.25%	4.30%	4.30%	4.30%
Sales	0.64% to 12.54%	8.81%	7.74%	9.07%	9.07%	9.07%
LT-2a Instl	2.63% to 4.68%	3.52%	3.97%	4.01%	4.01%	4.01%
Sales	4.50% to 8.94%	7.25%	8.29%	8.21%	8.21%	8.21%
LT-2b Instl.	4.39% to 10.92%	8.85%	9.59%	9.85%	9.90%	9.94%
Sales	-3.94% to 29.73%	10.27%	4.24%	5.04%	5.56%	5.98%
LT-3 Instl.	4.41% to 6.82%	5.05%	5.31%	5.37%	5.38%	5.38%
Sales	9.68% to 16.89%	13.25%	14.16%	15.39%	15.80%	15.80%
LT-4a Instl.	2.29% to 11.43%	4.54%	3.01%	3.04%	3.04%	3.04%
Sales	-4.35% to 19.04%	7.44%	12.84%	12.98%	12.98%	12.98%
LT-5 Instl.	6.15% to 9.95%	7.19%	7.57%	7.86%	5.91%	7.96%
Sales	1.28% to 6.49%	3.61%	3.15%	5.96%	6.04%	6.11%
LT-6 WS Instl.	5.18% to 9.69%	7.20%	6.75%	6.82%	6.82%	6.82%
Sales	2.11% to	6.94%	7.64%	7.89%	7.89%	7.89%

		18.21%					
LT-6 Instl.	SL	3.10% to 13.14%	6.11%	4.67%	4.72%	4.72%	4.72%
Sales		1.40% to 10.60%	5.08%	5.26%	5.37%	5.37%	5.37%
HT-1 Instl.		9.21% to 16.19%	11.58%	10.70%	10.87%	10.78%	10.62%
Sales		0.95% to 10.84%	5.27%	7.59%	7.66%	7.67%	7.67%
HT-2a Instl.		14.19% to 19.47%	16.34%	14.44%	12.07%	12.28%	14.53%
Sales		1.62% to 17.33%	11.60%	14.99%	14.64%	14.63%	15.15%
HT-2b Instl.		5.12% to 13.85%	7.80%	8.89%	8.88%	9.11%	8.87%
Sales		7.56% to 19.62%	11.62%	8.30%	8.39%	8.39%	8.39%
HT-3 Instl.		0.00% to 9.89%	5.69%	5.17%	6.98%	7.97%	8.05%
sales		0.86% to 41.07%	20.68%	13.49%	26.80%	57.62%	41.52%
HT-4 Instl.		-4.17% to 8.33%	3.13%	6.71%	8.20%	9.09%	8.33%
Sales		-19.8% to 2.12%	-8.36%	- 12.25%	9.98%	36.47%	22.54%
Total Instl.		3.46% to 6.02%	4.75%	4.20%	4.39%	4.47%	4.56%
Sales		1.23% to 14.91%	7.94%	11.43%	12.28%	13.12%	13.08%

Based on the above table the observations of the Commission are as indicated below:

It is noted that HESCOM has estimated an overall sales of 13% for the control period which is on the higher side when compared to the three years CAGR of 11% and five years CAGR of 8%.

LT: 1- HESCOM has estimated the sales based on CAGR. For this category the sales shall be estimated considering the specific consumption in FY12 duly segregating the installations consuming less than 18 units per month and those consuming more than 18 units per month. As such, HESCOM shall furnish the following details for the year FY13:

Particulars	Number of installations as on 30.11.2012	Cumulative sales in MU as on 30.11.2012 from January 2012
BJ/KJ consuming less than 18 units/month		
BJ/KJ consuming more than 18 units/month		

The data in the above format for BJ/KJ shall be furnished for FY13 to FY16 also.

Also, the additions of installations under RGGVY, if any, and the corresponding sales for the Control period under BJ/KJ shall be indicated.

LT-2a: The additions of installations under RGGVY, if any, and the corresponding sales for the Control period shall be indicated.

LT-3: The growth rate of 15 to 16% considered for sales is slightly on the higher side in comparison to CAGR 13 to 14% [3 yr. & 5 yr.].

LT 4a: HESCOM shall furnish the specific consumption based on actual data available from Apr-11 to March -12. HESCOM shall also furnish actual consumption upto Nov.2012.

LT-5: considering the sales CAGR of 3 to 4% [3 yr. & 5 yr.], a sales growth of 6% is on the higher side.

HT-3 : The estimation of sales growth rate for the control period in the range of 27% to 58% is on the higher side considering the three years CAGR of 13% and five years CAGR of 21%.

HT-4 : The estimated sales growth rate for the control period in the range of 10% to 36% is on the higher side considering negative CAGR for the period FY09 to FY12.

b) Power Purchase for FY14:

HESCOM shall clarify whether the rates on which power purchase cost (fixed cost and variable cost per unit of energy generator) is being projected is based on the power purchase agreements executed with the respective Generators.

HESCOM shall furnish the details of estimates of meeting solar and non solar RPO for the period FY14 – FY16. HESCOM shall also clarify whether charges to meet RPO has been included in its projections of power purchase for FY14 – FY16

c) Distribution Losses for FY14:

HESCOM has proposed distribution loss of 18.50% for FY14, 18% for FY15 and 17.80% for FY16. The actual distribution loss of 19.99% is achieved during FY12. As per the tariff order dated 30th April 2012, the targeted distribution loss for FY13 is 18%. Considering the substantial capex incurred in FY12 & FY13 and proposed capex for FY14 – FY16, the reduction of losses proposed by HESCOM is meager and not commensurate with the investments. As such HESCOM is directed to furnish lower loss levels for the control period – FY14 to FY16.

d) Capex for FY14 – FY16:

As against proposed and approved capex of Rs.1495.17 Crores, the actual capex incurred is reported as Rs.224.48 Crores. This indicates financial progress of only 15%. However the proposed capex for FY14 to FY16 is Rs.1178Crores, Rs.797.50 Crores and Rs.683.50 Crores respectively. As such, HESCOM shall justify its proposed capex.

4) Retail Supply Tariff for FY14:

Tariff Proposal:

HESCOM in its filing has proposed to increase the tariff by 70 paise per unit in respect of all categories of consumers except IP set upto 10 HP and BJ/KJ installations. Reasons for uniform increase proposal of 70 paise and no increase for IP set upto 10 HP and BJ/KJ installations may be explained.

5) Kannada Version of Tariff Filing:

HESCOM is directed to furnish copies of the tariff filing in Kannada. Also copies in Kannada shall be made available to public after acceptance of the application by the Commission.

KARNATAKA ELECTRICITY REGULATORY COMMISSION

NOTE

NO.B/26/12/

Dated: 26th December 2012

1. HESCOM vide its letter dated 10th December 2012, has filed its application for Approval of APR for FY12, Approval of ERC for FY14 to FY16 and Tariff for FY14. After verification / scrutiny of the ERC and Tariff application, the staff of the Commission has prepared preliminary observations on the filing.
2. A draft copy of the preliminary observations is placed in the file for perusal and approval of the Commission.

Director (Tech.) / Director (Tariff)

3. Secretary