

**Clarification/additional information/ compliance to Preliminary Observations on APR for
FY16 and Revised ARR for FY-18**

1. Capital Expenditure:

Observation of the Commission:

i. Capital Expenditure of HRECS for FY16:

The Commission had approved a capital expenditure of Rs.557 Lakhs for FY16 as against which, the HRECS has indicated an actual capital expenditure of Rs.1539.92 Crores in format D17 of the APR application. HRECS has shown a capital expenditure of Rs.1281.39 Lakhs as the asset categorized in Format D17 and D15. HRECS has indicated a capex of Rs.1230.02 Lakhs as asset categorized in respect of plant & Machinery and Lines, Cable & Networks in D16.

Details of category wise capital expenditure of HRECS for FY16 is as below:

Amount in Rs. Lakhs

SI No	Particulars	Approved for FY16	Actual Expenditure			Difference
			NJY works	Regular works	Total	
1	H.T Lines	198	547.22	26.14	573.36	-375.36
	a) 11 KV Lines	0	-	-	-	-
2	L.T Lines	0	-	-	-	-
	a) 3 Phase 5 wire	13	-	-	-	13
	b) 3 Phase 4 Wire	6.7	64.03	80.56	144.59	-137.89
	c) 1 Phase 3 Wire	10.4	-	-	-	10.4
	d) 1 Phase 2 Wire	0	-	25.13	25.13	-25.13
3	Transformer Centres	8	-	-	-	8
	a) 500 KVA Transform Centre	0	-	-	-	-
	b) 250 KVA Transform Centre	0	-	-	-	-
	c) 200 KVA Transformer	0	-	-	-	-
	d) 150 KVA Transform Centre	0	-	-	-	-
	e) 100 KVA Transform Centre	30.7	31.35	13.43	44.78	-14.08
	f) 63/50 KVA Transform Centre	111.6	231.7	32.07	263.77	-152.17
	g) 25 KVA Transform Centre	0	-	2.81	2.81	-2.81
	h) Others (10 & 15 KVA)	0	-	2.41	2.41	-2.41
4	Service connection	0	-	-	-	-
	a) Agriculture -HT	0	-	0.42	0.42	-0.42
	b) Industrial -HT & others	25	-	-	-	25
	c) Agriculture -LT	2.7	-	-	-	2.7
	d) Industrial -LT	28.7	-	2.16	2.16	26.54
	e) Domestic	0.9	-	16.4	16.4	-15.5
	f) Commercial	0	-	2.93	2.93	-2.93
	g) Street Light Brackets	80.5	-	-	-	80.5
5	Improvement Works	-	-	-	-	-

	a) 11 KV Line	75.6	-	64.76	64.76	10.84
	b) 100/63/25 KVA Transform Centre	24.6	-	354.44	354.44	-329.84
	c) LT Line 3 Ph.4 Wire	19.6	-	26.09	26.09	-6.49
6	Other Assets like Land & Building, Office furniture & equipment Cement pole factory expansion computer & accessories etc.	119	-	15.87	15.87	103.13
	Total	557	874.3	665.62	1539.92	-982.92

HRECS has achieved a capex of Rs. 1539.92 Lakhs which is nearly three times the capex approved for FY16. Hence, HRECS needs to explain the reasons for excess capex achieved by it over and above the approved limit and should quantify the benefits accrued out of the total capex incurred during FY16.

The Applicant HRECS Reply:

It is respectfully submitted that the Applicant has to incur 3 times the normal capital expenditure for taking up Nirantara Jyoti Yojana an ambitious project of state Government. An amount of Rs. 7.00 crores were released. Since this project is being implemented and quantifying benefit would take some more time. The Applicant would submit the intended benefit both technical and commercial soon after the commissioning 110 KV station at Isalmapur (Hagedal) village by KPTCL. As the entire benefit can be quantified only after 110 KV station come on stream. Never the less, other works which are taken up for extending reliable and quality supply of power.

Observation of the Commission:

a) From the above table, it is noted that, in some categories of works, HRECS has exceeded the capex as mentioned below:

In respect of HT lines, HRECS has achieved a capex of Rs.573.36 Lakhs as against the approved capex of Rs.198 Lakhs. HRECS needs to explain the reasons for excess capex incurred and furnish the details of benefits accrued out of this excess capex.

The Applicant HRECS Reply:

HRECS has achieved a capex of Rs.573.36 Lakhs in respect of HT lines during FY-16. This includes Rs.547.22 Lakhs towards NJY Works and Rs.26.14 Lakhs towards Regular works. Hence, there is excess in capex. The details of economic and other benefit made out below and are stated after the reply furnished for the main and sub paragraph.

Observation of the Commission:

- b)** In respect of LT lines, HRECS has achieved a capex of Rs.144.59Lakhs as against the approved capex of Rs.6.7 Lakhs. HRECS needs to explain the reasons for excess capex incurred and furnish the details of benefits accrued and loss reduction achieved out of this excess capex.

The Applicant HRECS Reply:

HRECS has achieved a capex of Rs.144.59 Lakhs in respect of LT lines during FY-16. This includes Rs.64.03 Lakhs towards NJY Works and Rs.80.56 Lakhs towards Regular works. Hence, there is excess in capex.

Observation of the Commission:

- c)** In respect of Transformer centres (100kVA and 63/50kVA), HRECS has achieved a capex of Rs.44.78 Lakhs & Rs.263.77 Lakhs as against the approved capex of Rs.30.7 Lakhs & Rs.111.6 Lakhs respectively. HRECS shall explain the reasons for excess capex achieved.

The Applicant HRECS Reply:

HRECS has achieved a capex of Rs.44.78 Lakhs & Rs. 263.77 Lakhs in respect of Transformer Centers (100KVA & 63/50KVA) during FY-16. This includes Rs.31.35 Lakhs & Rs.231.70 Lakhs towards NJY Works and Rs.13.43 Lakhs & Rs.32.07 Lakhs towards Regular works. Hence, there is excess in capex.

Benefits accrued: In respect of on all the above works as below

- 1) 24 hours power supply to households thereby enabling the children to study even during evening hours.**

- 2) 24 hours power supply to industries in villages thereby supporting the rural industries and improving rural economy.
- 3) 24 hours power supply to drinking water pumps thereby ensuring continuous drinking water.
- 4) Improves the economy of the rural area by way of providing employment to rural population.
- 5) Quality and reliability of power supply is ensured to Non-agricultural load due to low load on the feeder.
- 6) Rural cottage industries are encouraged.
- 7) Women empowerment due to availability of 24 hours power supply and opportunity to start small industries which are women oriented.

Observation of the Commission:

Further, HRECS shall furnish the details the works which are being funded through grants/loans from the Gol, GoK and financial institutions along with the details of amounts sanctioned, utilized and the balance yet to utilized, in the following format:

The Applicant HRECS Reply:

Amount in Rs. Lakhs

Sl No	Type of work	Total Cost of the Project	Cost of works award	Sanctioned source of Funding		Actual amount received/availed		Cost of the completed work	Cost of works which are in progress (WIP)
				Loan	Grants	Loan	Grants		
	1	2	3	4	5	6	7	8	9
1	RAPDRP	-	-	-	-	-	-	-	-
2	DDUGJY	-	-	-	-	-	-	-	-
3	IPDS	-	-	-	-	-	-	-	-
4	SDP	-	-	-	106.77	-	106.77	17.87	88.90
5	SCSP/TSP	-	-	-	220.00	-	220.00	-	220.00
	Any other works	--	-	-	-	-	-	-	-

Cost of Balance works	Scheduled /targeted date of completion	Actual date of completion of work	Delay if any	Whether the grant has been converted to Loan due to delay	Amount of loan converted to loan	Interest on the converted grant into loan	Reason for the Delay
10	11	12	13	14	15	16	17
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

ii. Capital expenditure of HRECS for FY18:

Observation of the Commission:

The Commission had approved capex of Rs.282.79 Lakhs for F18, against which the HRECS has proposed a revised capex of Rs.989.86 Lakhs. The HRECS has indicated some new schemes like:

- a) 11kV Line feeder separation, strengthening and re-conductoring
- b) Replacement of Single Phase Electromechanical Energy Meters by Electro Static Energy meters and three phase meters

Further, the HRECS has increased capex from the approved level in the category of service connections to LT industries, Agricultural, Domestic and Commercial installations. The details of the capex program of HRECS is stated below:

Sl. No	Particulars	FY18	Revised Capex for FY18	Difference
1	H.T Lines			
	a) 11 KV Lines	54.7	54.7	
2	L.T Lines			
	a) 3 Phase 5 wire	-	-	
	b) 3 Phase 4 Wire	18.48	18.48	
	c) 1 Phase 3 Wire	9.61	9.61	
	d) 1 Phase 2 Wire	16.79	16.79	
3	Transformer Centres			
	a) 500 KVA Transform Centre	-	-	
	b) 250 KVA Transform Centre	-	-	
	c) 200 KVA Transformer	-	-	
	d) 150 KVA Transform Centre	-	-	
	e) 100 KVA Transform Centre	22.55	22.55	
	f) 63/50 KVA Transform Centre	36.76	36.76	
	g) 25 KVA Transform Centre	20.17	20.17	
	h) Others (10 & 15 KVA)	-	-	
4	Service connection			
	a) Agriculture -HT	-	-	
	b) Industrial -HT & others	-	-	
	c) Agriculture -LT	17.19	19.41	-2.22
	d) Industrial -LT	2.52	3	-0.48
	e) Domestic	14.42	17.58	-3.16
	f) Commercial	1.22	2.46	-1.24
	g) Street Light Brackets	-	-	
5	Improvement Works			
	11 KV Line	27.35	27.35	
	100 KVA Transform Centre	22.55	22.55	
	LT Line 3 Ph.4 Wire	18.48	18.48	
	DDUGJY Scheme			
6	11kV Line feeder separation	-	199.99	-199.99
7	11kV Line system strengthening	-	75.48	-75.48
8	11kV line re-conductoring	-	124.51	-124.51
9	Replacement of Single Phase Electromechanical Energy Meters by Electro Static Energy meters	-	273.77	-273.77
10	Replacement of Single Phase Electromechanical Energy Meters by Electro Static Energy meters	-	26.22	-26.22
	Total	282.79	989.86	-707.07

From the above table it can be noted that, HRECS has proposed Rs.707.07 Lakhs in addition to the already approved capex of Rs.282.79 Lakhs. The HRECS shall explain the reasons for proposing the additional capex and furnish its preparedness on physical and financial capabilities to achieve the proposed capex during FY18.

It may be noted here that, the HRECS has proposed DDUGJY scheme which includes 11kV Line Feeder separation, 11kV line system strengthening and 11kV line re-conductoring at Rs.199.99 Lakhs, Rs.75.48 Lakhs and Rs.124.51 Lakhs respectively. The HRECS shall explain the whether these works are being taken up newly for FY18 or it has started the DDUGJY program in FY17 and it is likely to be continued for FY18. The HRECS shall furnish the basis for arriving at such a capex and furnish the details of preparation of DPRs, Tendering, financial outlay planned and the proposed target date for commissioning such project and the benefits envisaged from the projects etc.,

The Applicant HRECS Reply:

HRECS has proposed Deen Dayal Upadhyaya Gram Jyothi Yojana during FY-18. Hence, additional capex of Rs.699.97 Lakhs towards DDUGJY works has been proposed in addition to Rs.289.89 Lakhs towards other works. The DDUGJY works would be taken up during for FY-18. The scheme has been sanctioned by MoP through REC, New Delhi. The DPR has been submitted to REC. The tendering is under process. The project cost is Rs.7 Crores and the time schedule for commissioning is 24 months from letter of award. The capital expenditure programme of the Applicant HRECS strictly confirms to Guidelines issued by the Commission for capital expenditure in respect of ESCOMs.

Benefits envisaged:

- a) Power supply failures to agricultural loads can be easily attend by feeder separation.**
- b) Quality (voltage & power factor) and reliability of power supply is ensured due to low load on the feeder.**
- c) Maintenance cost is minimum.**
- d) Accuracy reading can be done by replacing electro mechanical energy meters by Electro Static Energy meters.**

- e) **Better quality & reliability of power supply to agricultural loads.**
- f) **Increase in energy sales & revenue demand in respect of metered category installations.**
- g) **Reduction in T & D and ATC losses.**
- h) **By separation of feeders, the voltage will be improved and healthy power be supplied for tail-end installations.**
- i) **By System strengthening and Reconductoring Transformer failure and line losses are reduced. The voltage regulation also be improved.**

Observation of the Commission:

In respect of Replacement of Single Phase and Three Phase Electromechanical Energy Meters by Electro Static Energy meters, HRECS has proposed a capex of Rs.273.77 Lakhs and Rs.26.22 lakhs respectively. The HRECS shall furnish the breakup of procurement and installation of meters in the format below:

The Applicant HRECS Reply:

Sl No	No. of single phase meters existing in HRECS		No. of Three phase meters existing in HRECS		No. of Single Phase meters proposed to be replaced by FY18	No. of Three Phase meters proposed to be replaced by FY18	Cost of Single Phase meters		Cost of Three Phase meters		Target date of completion of installation
	Electro-mechanical	Electronic	Electro-mechanical	Electronic			Unit Cost	Total Cost	Unit Cost	Total Cost	
	70281	7150	1679	1070	16650	793	0.01644	273.73	0.03307	26.22	24 months from letter of award (LoA)

Observation of the Commission:

HRECS shall explain the status of schemes like DDUGJY and IPDS it has proposed / taken up in FY17, if any, and whether the schemes are going to be continued in FY18 or not.

HRECS has not indicated whether, it has followed the “**Capital Expenditure Guidelines for ESCOMs**” issued by the Commission. If so, HRECS needs to project its capex commensurate with:

- a) The network expansion required,
- b) Reliability of power to be improved
- c) The target loss reduction trajectory

HRECS should mandatorily follow the “**Capital Expenditure Guidelines for ESCOMs**” in which the capital investment planning process, prioritization and post commissioning analysis is to be adopted by the ESCOMs are elaborated. HRECS shall furnish details as to whether it has carried out the works according to the guidelines issued by the Commission.

The Commission has been directing the ESCOMs to conduct energy audit by listing out high loss making 11kV feeders and take up strengthening works to reduce losses. HRECS should also move in this direction and list the high loss making feeders based on the input energy to the feeders and sale of energy in that feeder. HRECS shall furnish the list of 11kV feeders having losses above the target figure in descending order.

Further, HRECS shall furnish the details of the works which are being funded through grants/loans from the GoI, GoK and financial institutions along with the details of amounts sanctioned, utilized and the balance yet to utilized, in the following format:

The Applicant HRECS Reply:

Amount in Rs. Crores

SI No	Type of work	Total Cost of the Project	Cost of works award	Sanctioned source of Funding		Actual amount received/availed		Cost of the completed work	Cost of works which are in progress (WIP)
				Loan	Grants	Loan	Grants		
	1	2	3	4	5	6	7	8	9
1	RAPDRP	-	-	-	-	-	-	-	-
2	DDUGJY	7.00	-	-	-	-	-	-	-
3	IPDS	-	-	-	-	-	-	-	-
4	NJY	-	-	-	-	-	-	-	-
5	HVDS	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
	Any other works	-	-	-	-	-	-	-	-

Cost of Balance works	Scheduled /targeted date of completion	Actual date of completion of work	Delay if any	Whether the grant has been converted to Loan due to delay	Amount of loan converted to loan	Interest on the converted grant into loan	Reason for the Delay
10	11	12	13	14	15	16	17
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

Observation of the Commission:

HRECS shall also submit the physical and financial progress as on 31st October, 2016 (or latest by 30th November, 2016) as against the approved capex for FY17 in the format approved for FY17, indicating the capex incurred against each category.

The Applicant HRECS Reply:

The physical and financial progress as on 30-09-2016 for FY17.

Amount in Rs. lakhs

Sl No	Particulars	Approved for FY17	Actual Expenditure		
			SCSP/TSP works	Regular works	Total
1	H.T Lines				
	a) 11 KV Lines	68.38	4.42	3.01	7.43
2	L.T Lines				
	a) 3 Phase 5 wire				
	b) 3 Phase 4 Wire	27.72	50.12	50.14	100.26
	c) 1 Phase 3 Wire	9.61			
	d) 1 Phase 2 Wire	16.79		3.90	3.9
3	Transformer Centres				
	a) 500 KVA Transform Centre				
	b) 250 KVA Transform Centre				
	c) 200 KVA Transformer				
	d) 150 KVA Transform Centre				
	e) 100 KVA Transform Centre	27.06	13.27	1.77	15.04
	f) 63/50 KVA Transform Centre	53.31	16.12	2.73	18.85
	g) 25 KVA Transform Centre	26.89		2.51	2.51
	h) Others (10 & 15 KVA)				
4	Service connection				
	a) Agriculture -HT				
	b) Industrial -HT & others				
	c) Agriculture -LT	16.83		0.25	0.25
	d) Industrial -LT	2.43		0.89	0.89
	e) Domestic	14.24		7.39	7.39
	f) Commercial	1.20		0.72	0.72
	g) Street Light Brackets				
5	Improvement Works				

a) 11 KV Line	41.03		1.66	1.66
b) 100/63/25 KVA Transform Centre	22.55		0.38	0.38
c) LT Line 3 Ph.4 Wire	18.48		0.08	0.08
Total	346.51	83.93	75.43	159.36

2. Sales:

I. Annual Performance Review for FY-16

Observation of the Commission:

HRECS in its proposal for FY-16 had requested for total sales of 2492.88 Lakh units. The Commission in its Tariff order dated 30.03.2015 had approved total sales to various consumer categories at 2483.11 Lakh units for FY16. The actual sales of HRECS as per the current APR filing [d-2 FORMAT] is 2643.60 Lakh units indicating an increase in sales to an extent of 160.49 Lakh units with respect to the approved sales.

The Commission notes that, as against approved sales of 672.31 Lakh units to categories other than BJ/KJ and IP sets, the actual sales achieved by HRECS is 691.05 Lakh units, resulting in an increase of sales to these categories by 18.74 Lakh units. It is observed that this increase is mainly in HT-2a industrial category to an extent of 32.65 lakh units. On the other hand, HRECS has sold 1952.55 Lakh units to BJ/KJ and IP category against approved sales of 1810.80 Lakh units resulting in increased sales to these categories by 141.75 Lakh units. The increase is mainly in IP sets to an extent of 140.11 lakh units. The Commission's observation on IP set consumption is dealt in the subsequent paragraphs.

HRECS shall analyze and report the reasons for increased sales in HT-2a category and IP sets.

The Applicant HRECS Reply:

The SEZ AEQUS was under HT-2(a) category during FY-16 and consumption under HT-2(a) was higher by 37.30 lakhs unit compare to 2014-15. With regard to

increase in IP Set consumption, it is respectfully submitted that land under the jurisdiction of the Applicant are mostly irrigated and farms also source the water from bore well, which is deepening and hence the licensee is required to supply electricity to keep the momentum of agricultural production. Besides it may please be noted that the the Commission determined specific consumption for the Applicant HRECS is very much lower when compare to HESCOM.

II. Sales Forecast for FY-18

Observation of the Commission:

1. HRECS in its filing has considered the data of FY-17 in estimating CAGR for the number of installations as well as energy sales. Since FY17 data itself is an estimated figure, the CAGR should have been calculated considering the period for which actual data was available i.e upto FY16.

The Applicant HRECS Reply:

The Applicant HRECS notes the points raised by the Hon'ble Commission and would abide by the direction of the Hon'ble Commission in the next filing.

2. The table indicating the growth rates for the no. of installations is furnished below:

Category	Percentage Growth Rates		
	2010-11 to 2015-16 CAGR	2012-13 to 2015-16 CAGR	Growth rate proposed by HRECS
LT-2a	1.78	1.56	1.61
LT-2b	4.50	3.78	3.85
LT-3	1.95	2.55	2.84
LT-5	4.88	4.51	4.48
LT-6 WS	2.13	2.96	2.44

LT-6 SL	8.01	1.12	2.16
HT-1	14.87	14.47	14.29
HT-2 (a)	17.08	22.39	20.00
HT-2 (b)	0.00	-10.61	0
HT-3(a)& (b)	0.00	0.00	0

It is noted that the growth rate considered for LT-3 is slightly higher and for LT-5 and HT-1 it is lower compared to the normal growth rates. HRECS shall reconsider revising the estimates to these categories.

The Applicant HRECS Reply:

The projection under LT-3 is slightly higher, however the Applicant HRECS would like to retain the same projection. With regard to LT-5 and HT-1 the growth rate proposed by HRECS may kindly be retained as the difference is only in decimal.

Observation of the Commission:

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

Category	Percentage Growth Rates		
	2010-11 to 2015-16 CAGR	2012-13 to 2015-16 CAGR	Growth rate proposed by HRECS
LT-2a	5.10	6.04	7.71
LT-2b	12.87	9.55	9.99
LT-3	7.99	8.78	9.95
LT-5	3.12	1.77	4.04
LT-6	3.05	2.51	4.07
LT-6	-3.70	1.71	3.59
HT-1	0.99	1.00	3.83
HT-2 (a)	21.20	26.91	23.22
HT-2 (b)	4.39	-9.44	-6.33
HT-3(a)& (b)	-2.92	-15.07	-23.62

It is noted that the growth rates considered for LT-2a, LT-3, LT-5 and LT-6(W & SL) and HT-1, is higher when compared to the normal growth rates. Further in the

case of HT2b) & HT-3, in spite of number of installations remaining same, the energy sales are decreasing. HRECS shall furnish the reasons for the same.

The Applicant HRECS Reply:

The Applicant HRECS wish to bring to the notice of Hon'ble Commission that in respect of HT-2(b) and HT-3 the consumption pattern suggest the decreasing trend in spite of No. of installation are remaining the same.

4. To validate the sales, category wise information in the following format is furnished:

i. No. of Installations

Category	2014-15 Actuals		2015-16 Actuals		2016-17	
	As on 30 th Nov 2014	As on 31 st March 2015	As on 30 th Nov 2015	As on 31 st March 2016	As on 30 th Nov 2016	As on 31 st March 2017 (Estimate)
LT-2a	71500	71681	72483	73486	74464	74691
LT-2b	70	72	76	76	78	78
LT-3	5311	5362	5463	5570	5659	5774
LT-4 (b)	9	9	9	9	9	9
LT-4 (c)	2	2	2	2	2	4
LT-5	2024	2041	2114	2140	2201	2233
LT-6	589	594	602	609	609	615
LT-6	363	363	363	366	367	370
LT-7	52	62	40	30	39	70
HT-1	4	4	5	6	6	7
HT-2 (a)	6	8	10	11	10	10
HT-2 (b)	5	5	5	5	5	5
HT2C	3	3	5	5	5	5
HT-3(a)& (b)	4	4	4	4	5	5
HT-4	0	0	0	0	0	0
HT-5	0	0	0	0	0	0
SEZ						1
Sub Total (Other than	79942	80210	81181	82319	83459	83877
BJ/KJ	8186	8685	10759	10316	10303	10425
IP	23702	23817	24206	24283	25260	25141

Sub Total (BJ/KJ and IP)	31888	32502	34965	34599	35563	35566
Grand Total	111830	112712	116146	116918	119022	119443

It is respectfully submitted to the Hon'ble Commission that the no. of IP Set are increasing in the distribution network of the Applicant. It is therefore requested that the IP Set which are 25260 numbers as on 30-11-2016 and the Commission may kindly approve the IP set installation on applying growth rate for a period of 4 months in FY-17 on 25260 installation for FY-18.

ii. Energy Sales

in MU

Category	2014-15 Actuals		2015-16 Actuals		2016-17	
	1 st April 2014 to 30 th Nov 2014 (cumulative)	1 st Dec 2014 to 31 st March 2015 (cumulative)	1 st April 2015 to 30 th Nov 2015 (cumulative)	1 st Dec 2015 to 31 st March 2016 (cumulative)	1 st April 2016 to 30 th Nov 2016 (cumulative actuals)	1 st Dec 2016 to 31 st March 2017 (cumulative Estimate)
LT-2a	17.01	8.02	17.00	8.91	19.46	9.83
LT-2b	0.07	0.06	0.10	0.06	0.12	0.07
LT-3	3.91	1.87	4.11	2.23	4.62	2.57
LT-4 (b)	0.03	0.08	0.02	0.03	0.01	0.02
LT-4 (c)	0.00	0.00	0.00	0.00	0.00	0.00
LT-5	3.10	1.53	3.05	1.65	3.45	1.78
LT-6	3.12	2.02	3.63	1.89	4.08	1.93
LT-6	1.50	0.73	1.42	0.80	1.54	0.89
LT-7	0.02	0.02	0.02	0.03	0.04	0.05
HT-1	2.82	1.43	2.86	1.49	3.25	1.66
HT-2 (a)	8.81	4.85	10.88	6.51	8.21	3.82
HT-2 (b)	0.41	0.17	0.45	0.24	0.46	0.26
HT2C	0.26	0.12	0.24	0.14	0.29	0.19
HT-3(a)& (b)	0.73	1.48	0.99	0.37	0.55	0.21
HT-4	0.00	0.00	0.00	0.00	0.00	0.00
HT-5	0.00	0.00	0.00	0.00	0.00	0.00
SEZ	0.00	0.00	0.00	0.00	7.00	5.18

Sub Total (Other than BJ/KJ and IP)	41.79	22.38	44.77	24.35	53.08	28.46
BJ/KJ	0.60	0.38	0.99	0.53	1.06	0.62
IP	111.19	61.90	121.74	71.95	109.87	84.69
Sub Total (BJ/KJ and IP)	111.79	62.28	122.73	72.48	110.93	85.31
Grand Total	153.58	84.66	167.50	96.83	164.01	113.77

III. Wheeling charges & Cross subsidy surcharge:

Observation of the Commission:

HRECS shall furnish the details of wheeling charges & cross subsidy surcharge applicable for FY-18 along with working details.

Applicant HRECS Reply:

Hukeri RECS has no consumer who are eligible or willing to wheel electricity at 11 KV level and therefore it would be unnecessary to determine the wheeling charges. The Applicant wish to bring to the kind notice that the Hon'ble Commission generally determine wheeling charges & cross subsidy surcharge on the basis of same formula which are applied in HESCOM for segregating the ARR between distribution business and retail supply business. Therefore it is respectfully submitted that the same may kindly be followed for FY-18.

IV. Energy Flow diagram:

Observation of the Commission:

HRECS shall furnish the Energy Flow diagram for FY-18 also.

Applicant HRECS Reply:

The same is furnished alongside of this Reply. (Annexure 1)

V. RPO Compliance:

Observation of the Commission:

HRECS shall furnish the details of RPO complied for FY-16 and the action plan for meeting RPO of FY-18.

Applicant HRECS Reply:

Hitherto, the RPO obligation of HESOM used to be examined to verify RPO obligation of the Applicant as power purchase from HESOM by the Applicant used to be at the weighted average rate of power purchase of HESOM. Obviously if HESOM complied RPO obligation, the Applicant is also deemed to comply RPO obligation of the Applicant. Further the Applicant is exploring the possibility of putting up solar power plant of 10 MW with the consulting assistant from iDECK. The copy of the proposal received from iDECK is enclosed for kind perusal of the Hon'ble Commission. (Annexure 2)

3. Observations on projected IP Set consumption for FY18:

Observation of the Commission:

APR 2016

As regards sales to IP-sets, the Commission notes that, the overall sales have increased by 14.023 MU (7.8%) as against the approved sales of 179.66 MU as per the Tariff Order dated 30th March 2015 for FY16. Further, the Commission had approved a specific consumption of IP-sets as 7,341 units / installation / annum for FY16. As per the consumption reported in format D2 of the filing by the HRECS, the specific consumption works out to 8,053 units / installation/annum for FY16. This indicates a big increase of 662 units / installation/annum in specific consumption for FY16. Further, the actual number of installations for FY16 has decreased by 355 numbers when compared to the approved number of installations of 24,638.

HRECS shall furnish the reasons for increase in specific consumption as well as total IP consumption for FY16 despite decrease in the number of installations serviced during FY16 have decreased by 355 numbers from the approved figure.

The Applicant HRECS Reply:

For FY15 the actual number of IP installations are 23817, for FY16 the actual IP installations are 24283. Therefore there is increase of 466 IP installations. Further bore wells have deepened and draw more power. Besides, farming community have of late increasing productivity in agriculture and use more power for increased irrigation. Hence there is increase in specific consumption of IP sets.

Observation of the Commission:

The Commission in its Tariff Order dated 30th March 2015 had directed HRECS to furnish feeder wise IP-set consumption based on feeder energy meter data to the Commission, every month in respect of agriculture feeders segregated under NJY. HRECS has not submitted in its application the consumption data of agricultural feeders indicating how much loss in 11 kV, distribution transformers & LT system has been deducted from the gross consumption to arrive at the net consumption and the methodology adopted to arrive at the loss figures for FY16.

HRECS shall furnish necessary data to justify the IP-consumption claimed for FY16 as per the format given below in the subsequent paragraph.

ARR 2018

The Commission in its Tariff Order dated 30th March 2016 had directed HRECS to furnish the consumption of IP-sets based on the readings from the meters provided to 11 kV agricultural feeders at the Sub-stations duly deducting the 11 kV and LT distribution system losses (as per the formats specified by the Commission). HRECS was also directed to furnish feeder wise IP-set consumption based on the feeder energy meters' data to the Commission, every month in respect of agriculture feeders segregated under NJY. But, HRECS has not submitted the monthly IP-set consumption data regularly to the Commission. Thus, HRECS shall justify its projection of IP-consumption for FY18 as per the energy recorded on the segregated agricultural feeders.

Therefore, HRECS shall submit the month wise, feeder wise consumption of all the agriculture feeders segregated under NJY Scheme from April 2015 to October, 2016 in the following format indicating percentage loss in 11 kV distribution

transformers & LT system to be deducted from the gross consumption to arrive at the net consumption and the methodology adopted to arrive at the loss figures.

Month	Name of Section	No. Segregated Agricultural Feeders in the HRECS	Monthly Consumption in MU as recorded in all the agricultural feeders at the substations pertaining to the division	Distribution loss(11kV line, DTCs,& LT line) Plus sales to other consumers if any, in MU (losses in all the agri feeders only to be considered)	Net consumption duly deducting the Distribution loss (11kV & LT) & any other loads if any	No. of IP sets connected to the agri feeders in the HRECS	Average consumption of IP / month (specific cons in units /IP/month)	Total no of IP sets in the subdivision (as per DCB)	Total sales of IP sets in MU
1	2	3	4	5	6=(4-5)	7	8	9	10=8*9
April 2015	Subdiv-1 Subdiv-2 Subdiv-3 Subdiv-4								
March 2016	Subdiv-1 Subdiv-2 Subdiv-3 Subdiv-4								
Total									
April 2016	Subdiv-1 Subdiv-2 Subdiv-3 Subdiv-4								
October 2016	Subdiv-1 Subdiv-2 Subdiv-3 Subdiv-4								
Total									

As per format D2 of its Tariff application, HRECS has projected a specific consumption of IP-sets for FY18 at 7,748 units/installation /annum as against the specific consumption of 7,391 units / installation/annum approved by the Commission for FY 18. Further, HRECS on the basis of specific consumption of 7,748 units/installation /annum has projected a consumption of 197.309 MU for FY18. HRECS is required to furnish the rationale for projecting IP-consumption for FY18.

The Applicant HRECS reply:

Since many of the other installations belonging to domestic supply have been included in the Feeder and it is not possible to supply the information in the format required by the Hon'ble Commission. However it is possible to supply the

information in respect of 249 sample IP installations and the same is filed regularly to the Hon'ble Commission.

Observation of the Commission:

Further, HRECS was directed to take up enumeration of IP-sets to identify defunct/dried up wells in the field & complete the same by October, 2016 and take further necessary action to arrive at correct number of IP-sets in its account on the basis of enumeration report. HRECS has not complied with this direction. HRECS shall furnish compliance on this in order to arrive at the correct number of IP installations/consumption and for projecting the correct number of installations/consumption for FY18 also.

The Applicant HRECS reply:

The Applicant HRECS will furnish the details as sought by the Commission after taking up enumeration of IP set to identify defunct/dried up wells.

4. Distribution Losses:

Observation of the Commission:

The actual distribution loss reported by HRECS for FY16 is 15.12% as against 14.50% approved by the Commission in its Order dated 30th March, 2015. Considering the actual loss of 15.04% reported by HRECS for FY15, the reduction in distribution loss is 0.08% in FY16. HRECS has not met the targeted loss reduction in FY16.

The Commission, in its Order dated 30th March, 2016 has fixed distribution losses at 14.25% for FY17. HRECS, having reported distribution losses of 15.12% for FY16, is required to furnish its present status of distribution loss achieved in FY17 as at the end of November, 2016.

Further, the Commission, in its Order dated 30th March, 2016 has fixed distribution losses at 14.00% for FY18 after considering the actual distribution losses of 15.04% reported by HRECS for FY15. Considering the capital investment being incurred in

the recent past and distribution loss levels achieved in FY16, HRECS is required to reassess the distribution losses for FY18.

The Applicant HRECS reply:

The present status of distribution loss achieved in FY17 as at the end of November, 2016 is 15.11%. Since the loss reduction is not the only objective of Capex programme. Other intended objective of Capex programme are to reduce the interruption and cater the electricity for all. Handling more power in the distribution network mean higher loss. From the power purchase quantum in the last three year and power purchase envisaged in the future suggest that the Applicant is handling quantum of power which is very high and suggest that the distribution loss cannot be reduced at a high rate. When compared to HESCOM, the distribution loss of the Applicant is modest.

Observation of the Commission:

5. Power Purchase:

HRECS has purchased 311.46 MU at IF points from HESCOM at a cost of Rs.134.52 Crores inclusive of prior period power purchase expenses of Rs.33.70 Crores and interest component of Rs.4.41 Crores during FY16. This is against an approved quantum of 303.43 MU at an estimated cost of Rs. 92.87 Crores inclusive of transmission charges payable to KPTCL. Thus as against an average cost of power purchase of Rs.3.06 per unit, HRECS has incurred Rs. 4.32 per unit.

HRECS is required to furnish the month wise power purchase cost incurred in FY16 along with details of computation on payment of arrears of power purchase cost of prior period including interest component.

The Applicant HRECS reply:

The Applicant respectfully submits the details of power purchase in FY-16 along with details of computation on payment of arrears of power purchase cost of prior period including interest component. (Annexure 3)

Observation of the Commission:

6. Issues pertaining to items of Revenue and Expenditure:

- i. Subsidy claim submitted to GoK and subsidy received for the year FY16 in respect of IP and BJ/KJ installations needs to be furnished along with the details of energy sales. HRECS should clarify whether it has received subsidy pertaining to past period during FY16 and if so, details of the amount received may be furnished separately.

The Applicant HRECS reply:

The details are furnished alongside of this Reply. (Annexure 4)

Observation of the Commission:

- ii HRECS shall furnish the details in respect of the following items indicated under A&G expenses for FY16:

i) General Body Meeting expenditure	- Rs.38.28 Lakhs
ii) Legal charges	- Rs.5.95 Lakhs
iii) Advertisements	- Rs.11.00 Lakhs

The Applicant HRECS reply:

The details are furnished alongside of this Reply. (Annexure 5)

Observation of the Commission:

- iii. In form D17, the expenditure capitalised for FY18 is Rs.9.89 Crores with total capital expenditure of Rs.17.01 Crores inclusive of opening work in progress of Rs.7.11 Crores. Hence, the amount of expenditure proposed to be capitalised for FY18 is only 41.56%. HRECS is required to furnish the reasons for indicating such low capitalisation. Further, HRECS has proposed a capex of Rs. 9.90 Crores for FY18. HRECS shall furnish the source of funding for each categories of works proposed for FY18.

The Applicant HRECS reply:

The proposed expenditure is going to be incurred at the fag end of FY_18 and therefore interest for additional capital expenditure is not indicated in the filing and actual interest incurred during FY-18 would be taken at the time of APR FY-18. Therefore the amount of expenditure proposed to be capitalized is only 41.56%. The source of funding for capex for FY-18 is also not indicated for the reason that funding cost is likely to come down during FY-18 and hence actual interest incurred will be claimed at the time APR for FY-18. Funds are accessed depending on competitive rates.

Observation of the Commission:

- iv. HRECS is required to furnish the computations of depreciation on assets created out of consumer contribution/grants for FY16 and projections for FY18.

The Applicant HRECS reply:

The details are furnished alongside of this Reply. (Annexure 6)

Observation of the Commission:

- v. HRECS has reported transformer failure of 23.30% during FY16 and 17.53% in FY17 (upto September, 2016) without furnishing reasons for such abnormal failure rates. HRECS is required to details of capacity wise failure of transformers and reasons thereon. Also HRECS shall furnish the breakup of expenditure of Rs.2.22 Crores incurred towards repairs of transformers for FY16.

The Applicant HRECS reply:

Details are enclosed. Transformer failure rate is coming down for FY-17 due to various action plan like balancing of load between the transformer, topping up of oil and regular maintenance. It is hoped that during FY-18 failure rate would come down sharply. (Annexure 7 and 7A)

Observation of the Commission:

- vi. HRECS is required to furnish the D19 format for FY18.

The Applicant HRECS reply:

The details are furnished alongside of this Reply. (Annexure 8. This is Annexure 1 also)

Observation of the Commission:

- vii. HRECS shall furnish the actual data of demand/fixed charges and energy charges demanded from LT and HT Consumers during FY16 and FY17 (Upto October, 2016).

The Applicant HRECS reply:

The details are furnished alongside of this Reply. (Annexure 9)

Observation of the Commission:

- viii. HRECS is required to furnish the details of monthly Minimum and Maximum load recorded during January, 2016 to November, 2016 for the morning (6.00AM to 10.00 AM)/evening (6.00PM to 10.00 PM) peak periods and off-peak periods (10.00PM to 6.00 AM). Also, for the same period, HRECS shall furnish the amount of penalty levied and incentives given under the existing ToD scheme.

The Applicant HRECS reply:

It is respectfully submitted that there is no installation in HRECS area having ToD tariff. Since consumers have not come forward.

8. Compliance to directives issued by the Commission

Sl. No	Directives issued by the Commission	Observations made	Compliance
1	<p>Directive on Energy Conservation</p>	<p>The HRECS was directed to service all the new installations only after ensuring that the BEE ***** (Bureau of Energy Efficiency five-star rating) rated Air Conditioners, Fans, Refrigerators, etc., are being installed in the applicant consumers' premises and also to service all streetlight installations with LED/energy efficient lamps.</p> <p>The HRECS has not submitted compliance on the above directive.</p> <p>HRECS has also not submitted compliance regarding the program undertaken by it to educate all the existing domestic, commercial and industrial consumers, through media / distribution of pamphlets along with monthly bills, regarding the benefits of using five star rated equipment in reduction of their monthly electricity bills and conservation of energy.</p> <p>The HRECS shall submit the compliance on the same.</p>	<p>All new installations are serviced only after ensuring necessary ratings</p> <p>All section officers along with MD, Resident engineer and Assistant engineer are regularly educating the consumer on regular base.</p>
2	<p>Service Centers for improved responsiveness</p>	<p>HRECS shall furnish the details of service centres established for redressal of complaints in its jurisdiction and the average time taken to attend to the complaints. Also, HRECS is required to furnish the reasons for delay in functioning of the CGRF despite the Commission approving the same with nomination of members to the CGRF some time back.</p>	<p>The Hukeri RECS is establishing service center for dealing with consumer complaints. The area of operation of HRECS is only a Taluka. Hence, constitution of one CGRF will be sufficient. The HRECS has already sent the names of two of its officials to function as members of CGRF to be constituted by Hon'ble Commission and requested the Hon'ble commission to constitute CGRF by nominating a person in accordance with the KERC Regulations vide HRECS letter No.3668 dtd.13.12.2013.The</p>

			Hon'ble Commission has cleared name for CGRF. The HRECS has constituted CGRF.
3	Implementation of HVDS	As per the directions of the Commission, Hukeri RECS is required to implement the HVDS in its jurisdiction for reducing the distribution losses and furnish compliance. HRECS shall submit the DPR of the HVDS scheme for approval of the Commission.	The proposal will be submitted.
4	Implementation of NJY	HRECS shall furnish the reasons for delay in implementation of NJY. Also, HRECS is required to analyze the benefits accrued to the system post implementation of NJY in respect of commissioned 15 feeders. Further, HRECS is required to furnish the IP consumption data of exclusive agriculture feeders segregated under NJY, for FY16 and FY17(October 2017) as per the format approved by the Commission.	Till today 16 feeders are completed and commissioned and work in 1 feeder is nearing to completion. The Hukeri RECS has requested to CPRI, Bengaluru, for analysing of NJY feeders. The reports will be submitted after analysed by CPRI
5	DSM in Agriculture	HRECS should identify the O&M Section for implementation of Demand side management in agriculture and the details of the current status/progress of the same shall be submitted.	The Hukeri RECS will study a pilot project implemented in HESCOM and simultaneously approaching to M/s Energy Efficiency Services Limited (EESL), New Delhi and will execute Demand Side Management(DSM).
6	Optimizing Transformer Capacities	HRECS shall submit the details of number of transformers for which the capacities have been optimized in its jurisdiction.	Hukeri RECS is installing additional distribution transformers on over loaded distribution transformers to reduce load and to maintain optimum capacity. During FY-16, installed 174 No's of various capacities of DTC's.

The HRECS hopes that the above explanation may meet your observation under reply satisfactorily. However, the HRECS is ready and willing to supply any information needed by the Hon'ble Commission, from time to time.

Managing Director

HRECS Ltd., Hukeri