

MESCOM- Preliminary Observations on APR for FY16 and Revised ARR for FY18

1. Capital Expenditure:

i Capital Expenditure of MESCOM for FY16:

The Commission had approved a capital expenditure of Rs.353.89 Crores for FY16 as against which, the MESCOM has indicated an actual capital expenditure of Rs.230.10 Crores (in the details furnished on page No. 20 of its tariff application). MESCOM has shown a capital expenditure of Rs.274.73 Crores and the asset categorized value at Rs.228.81 Crores (Format D17 and D15). MESCOM has indicated a capex of Rs.167.80 Crores as asset categorized in respect of plant & Machinery and Lines, Cable & Networks. But, the data pertaining to categorized and capitalized works submitted for conducting Prudence check was amounting to Rs.258.63 Crores. MESCOM shall explain the difference in the amount shown in categorization under D16 and that indicated in the list of works submitted for prudence check of categorized works of FY16.

The details of category wise capital expenditure of MESCOM for FY16:

Sl No	Particulars	CAPEX Apprd. by KERC	Capex Incurred in FY-16			Difference
			Cost during the year	Issue of released Asset for works	Net Capex	
1	E&I Works (Addl. Transformers, Link-Lines, HT/LT Re-conductoring, HVDS)	41.56	84.52	0.14	84.44	-42.88
2	DTC metering,	50	1.22	-	1.22	48.78
3	Replacement of MNR/DC & Electromag. meters by Static meters & providing SMC meter protection box wherever required.	25	2.86	-	2.86	22.14
4	Nirantara Jyothi Yojane	90	-	-	-	90
5	R - Accelerated Power Development and Reform Programme	10	4.78	-	4.78	5.22
6	Replacement of faulty Distribution Transformers	30	32.36	26.99	5.37	24.63
7	Service Connection including promoter vanished layout Works	20	27.76	0.28	27.48	-7.48
8	Rural Electrification (General)	-	-	-	-	0
a	Rural Electrification (RGGVY 12th Plan)	10	14.97	-	14.97	-4.97
b	RGGVY(DDG)	-	-	-	-	0
c	Electrification of Hamlets	2	0.54	-	0.54	1.46

d	Energisation of IP sets Including providing Infrastructure to regularized UIP	50	51.58	0.14	51.44	-1.44
e	Kutir Jyothi		0.01	-	0.01	-0.01
f.	Sheegra samparka yojane	0.25	1.68	0.02	1.66	-1.41
g.	Naksal package		0.03	-	0.03	-0.03
	Sub- Total	62.25	68.81	0.16	68.65	-6.40
9	Tribal Sub-Plan					
a	Electrification of Tribal Colonies	0.6	0.16	-	0.16	0.44
b	Energisation of IP sets	0.38	0.24	-	0.24	0.14
c	Kutir Jyothi	0.02	-	-	-	
	Sub- Total	1	0.4	-	0.4	0.6
10	Special Component Plan					
a	Electrification of S.C Colonies	1	0.24	-	0.24	0.76
b	Energisation of IP sets	0.98	0.37	0.01	0.36	0.62
c	Kutir Jyothi	0.10	-	-	-	0.10
	Sub- Total	2.08	0.61	0.01	0.6	1.48
11	Tools & Plants & Computers	2	9.41	-	9.41	-7.41
12	Civil Engineering Works	5	14.35	-	14.35	-9.35
13	33 KV Station and Line Works	15	10.54	-	10.54	4.46
	Grand Total	353.89	257.68	27.58	230.1	123.79

From the above table, it can be noted that, the overall capital expenditure of MESCOM for FY16 is within the approved capex of Rs.353.89 Crores, but, MESCOM has surpassed its capex limit in the category of E&I Works (Addl. Transformers, Link-Lines, HT/LT Re-conductoring, HVDS)- by Rs.42.88 Crores over and above the approved capex of Rs.41.56 Crores. MESCOM needs to explain as to why there is such a huge difference in the capex achieved as against the approved level and should quantify the benefit accrued to it due to excess capex in this particular category.

In respect of DTC metering, replacement of MNR/DC & Electromagnetic meters by Static meters & providing SMC meter protection box, wherever, required. MESCOM has achieved a meagre capex of Rs.1.22 Crores and Rs.2.86 Crores, against the approved capex of Rs.50 Crores and Rs.25, Crores respectively. The Commission has been directing MESCOM to complete DTC metering and energy audit, but, MESCOM has failed to achieve its own set targets in the above categories. MESCOM shall explain the reasons for not achieving the target.

Further, in the category of Tools, & Plants & Computers, the MESCOM has achieved a capex of Rs.9.41 Crores against the approved capex of Rs.2

Crores, the MESCOM shall explain the reason for excess capex along with details of such tools and plants expenditure during FY16. The benefits envisaged by such tools and plants shall be explained.

In respect of NJY and RGGVY(DDG), the MESCOM has not made any effort to achieve the capex proposed and approved, even though, it has been stating that, it is proposing to take up the above said works. the MESCOM shall explain as to why there is no effort to achieve the capex.

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

Amount in Rs. Crores

Sl No	Type of work	Total Cost of the Project	Cost of works award	Sanctioned source of Funding		Actual amount received/avail ed		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									
	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

i. Capital expenditure of MESCOM for FY18:

The MESCOM has indicated capex in a table in annexure -4 which shows the capital expenditure approved by the Commission for FY17 and FY18 along with the proposed capex for respective years. The MESCOM has

re-appropriated the capex of FY17 from the Commission approved capex of Rs.288.90 Crores, to Rs.302.65 Crores and has shown some new schemes proposed for the FY17 as an addition to the earlier approved capex of Rs.288.90 Crores and indicated a total capex of Rs.1100.70 Crores for the FY17. The MESCOM has also indicated the capex till achieved September, 2016 at Rs.128.38 Crores.

The details of Capex program of the MESCOM for the FY18 with actuals of the FY16 up to Sept'2016 are follows.

Amount in Rs. Lakhs

2017-18				
Sl. No	Particulars	Expenditure Upto Sept-16	MESCOM (proposal)	KERC (approved)
1	E&I Works (Addl. Transformers, Link-Lines, HT/LT Re-conductoring, HVDS)	2329.55	10000.00	10000.00
2	DTC metering,		25.00	25.00
3	Replacement of MNR/DC & Electromagnetic meters by Static meters and providing SMC meter protection box wherever required.		500.00	500.00
4	Nirantara Jyothi Yojane			
5	R - Accelerated Power Development and Reform Programme (IPDS: System improvement & Strengthening works in R-APDRP/statutory towns)			
6	Replacement of faulty Distribution Transformers	2061.95	4000.00	500.00
7	Service Connection including promoter vanished layout Works	1438.84	4000.00	4000.00
	Sub- Total	5830.34	18525.00	15025.00
8	Rural Electrification (General)			
a	Rural Electrification (RGGVY 12th Plan)			
b	RGGVY(DDG)			
c	Electrification of Hamlets	96.11	200.00	200.00
d	* Energisation of IP sets Including providing Infrastructure to regularized UIP	4655.41	34500.00	7500.00
e	Kutir Jyothi	0.86	25.00	25.00
	Sub- Total	4752.38	34725.00	7725.00
9	Tribal Sub-Plan			
a	Electrification of Tribal Colonies	123.17	150.00	150.00
b	Energisation of IP sets	5.28	75.00	75.00
c	Kutir Jyothi	0.00	5.00	5.00
	Sub- Total	128.45	230.00	230.00
10	Special Component Plan			
a	Electrification of S.C Colonies	21.79	100.00	100.00
b	Energisation of IP sets	31.02	100.00	100.00
c	Kutir Jyothi	0.00	10.00	10.00
	Sub- Total	52.81	210.00	210.00
11	Tools & Plants & Computers	119.85	500.00	500.00
12	Civil Engineering Works	763.00	1600.00	1600.00
13	33 KV Station and Line Works	481.99	3750.00	3750.00
	Grand Total	12128.82	59540.00	29040.00

From the above table it can be noted that, the MESCOM has proposed a capex of Rs.595.40 Crores for the FY18 against the MYT approved capex of Rs.290.40 Crores, in which the MESCOM has enhanced the capex of Energization of IP Sets, including providing infrastructure to regularized Un-authorized IP Sets to Rs.345 Crores instead of the earlier approved capex of Rs.75 Crores.

In respect of DTC metering, the MESCOM has retained a capex of Rs.25 Crores for the FY18. The MESCOM needs to furnish details of its preparedness (regarding tendering for meters and fixing the same in time bound manner) to achieve the progress in this category to facilitate it to carry out the DTC wise energy audit.

The MESCOM needs to explain the reasons for increasing the capex of a particular category and also whether, it does not require any increase in other categories of works for the FY18. Further, the details of infrastructure created for un-authorized IP sets shall be furnished in the following format:

Sl No	Total Number of Un-IP sets as on 1-4-2015	Total Number of Un-IP sets added during FY16	Total No. of IP Sets provided with infrastructure in FY16	Balance Un-authorized IP sets to be provided with Infrastructure	Target date within which all Un-IP set will be covered	Reasons for not covering all the Un-IP Sets

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

The MESCOM has not indicated whether, it has followed the “**Capital Expenditure Guidelines for ESCOMs**” issued by the Commission. If so, the MESCOM 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

Also, the MESCOM should mandatorily follow the “**Capital Expenditure Guidelines for ESCOMs**” in which the capital investment planning process, prioritization and post commissioning analysis to be adopted by the ESCOMs, are elaborated. The MESCOM 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 **energy** losses. The MESCOM 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. The MESCOM shall furnish the list of 11kV feeders having losses above the target figure in the descending order. Prioritizing such projects to be taken up for execution are to be based on payback period & benefit to cost ratio.

Further, the MESCOM shall furnish the details of the works which are being funded through grants from the Gol or the GoK. along with the details of amounts sanctioned, utilized and the balance yet to utilized, in the following format:

Amount in Rs. Crores

Sl No	Type of work	Total Cost of the Project	Cost of works award	Sanctioned source of Funding		Actual amount received/avail ed		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	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

The MESCOM shall also submit the physical and financial progress as on 31st October, 2016 as against the approved capex for the FY17 in the format approved for the FY17, indicating capex incurred against each category.

The MESCOM shall furnish the details of high value works proposed for the FY18, so as to indicate -how many DPRs have been prepared, Tendered /ready to be tendered, cost of each project and what are the timelines within which the works are going to be completed.

The MESCOM shall furnish the sources of funding such as loans, grants from Central/ State Government, internal sources, borrowings and equity, to meet the capex for the FY18.

1. Sales:

I. Annual Performance Review for FY-16

The Commission in its Tariff Order 2015 dated 02.03.2015, had approved total sales to various consumer categories at 4431.33 MU as against the MESCOM's proposal of 4433.40 MU, excluding the sales of 80.84 MU to MSEZ and 11.33 MU to KPCL. The Actual sales of the MESCOM as per the current APR filing [D-2 FORMAT] is 4226.67 MU indicating a short fall in sales to an extent of 204.66 MU, as compared to the approved sales. The reduction in sales are 35.15 MU in LT-categories, and 169.52 MU in HT-categories. It is noted that, as against approved sales [excluding KPCL sales and supply to SEZ] of 3227.44 MU to the categories other than BJ/KJ and IP sets, the actual sales achieved by the MESCOM is 3015.46 MU, resulting in the reduction of sales to these categories by 211.98 MU. Further, the MESCOM has sold 1211.21 MU to BJ/KJ and IP categories against approved sales of 1203.89 MU resulting in increased sales to these categories by 7.32 MU.

The category wise sales approved by Commission, and the actuals for the FY 16 are indicated in the table below:

Units in MU

Category	Approved	Actuals**	Actuals -Approved
LT-2a*	1341.96	1292.56	-49.40
LT-2b	12.74	13.68	0.94
LT-3	324.48	329.87	5.39
LT-4b	0.98	0.92	-0.06
LT-4c	7.17	6.40	-0.77
LT-5	131.41	135.47	4.06
LT-6	115.05	111.93	-3.12
LT-6	64.06	63.97	-0.09

LT-7	19.02	19.63	0.61
HT-1	87.99	85.01	-2.98
HT-2a	782.85	586.43	-196.42
HT-2b	152.12	180.07	27.95
HT-2c	126.97	155.05	28.08
HT-3a & b	24.98	8.60	-16.38
HT-4	13.78	16.90	3.12
HT-5	21.86	8.98	-12.88
Sub total	3227.44	3015.46	-211.98
BJ/KJ	12.63	13.78	1.15
IP	1191.26	1197.43	6.17
Sub total	1203.89	1211.21	7.32
Grand total**	4431.33	4226.67	-204.66

***Including BJ/KJ installations consuming more than 18 units/month**

****Excludes sale of 9.59 MU to KPCL and 13.86 MU to SEZ.**

From the above table it is noted that the major categories contributing to the reduction in sales with respect to the estimate are HT-2a Industries (196.42 MU) and LT2a (49.40 MU). The MESCOM, while analyzing the reasons for reduction in HT -2a sales, has observed that in the FY16, out of the total reduction of 196.44 MU in HT-2a category, twelve EHT consumers had consumed less energy by 125.67 MU in the FY16 in comparison to the FY15.

While the Commission notes the analysis carried out by the MESCOM regarding reduction in sales, to further validate the sales, it shall furnish the following information:

- a) In order to analyze reduction in HT sales, the MESCOM shall furnish the data of sales to HT2(a) and HT2(b) categories along with the consumption from open access / wheeling for the period 2011-12 to 2015-16 in the following format:

Units in MU			
Year	Energy procured from MESCOM	Energy procured under open access / wheeling	Total
2011-12			
2012-13			
2013-14			
2014-15			
2015-16			

- b) To estimate the impact of shifting of installations from HT2a, HT2b and HT-4 to HT-2c, the number of installations shifted from these categories and the corresponding sales figures shall be furnished for FY14, FY15 and FY16.
- c) As per Tariff Order -2015, the approved sales to the MSEZ is 80.84 MU. the MESCOM shall correct this data in Chapter-4, Table, at page -14 of its petition.

II. Category wise sales for the FY18:

The MESCOM in its tariff application has stated that for the FY18, the estimates of installations and energy has been done based on CAGR method. It is stated that, the number of installations and energy sales projections in respect of LT-2, HT-2b, HT2(c) and HT-4 categories have been estimated on the basis of three year CAGR for the period from FY 14 to FY 16 and for LT-3, LT-5 and LT-6 on four year CAGR for the period FY13 to FY16. Further, it is stated that the number of installations in case of BJ/KJ and IP sets has been estimated based on three-year CAGR and sales to these categories is estimated based on the specific consumption of the FY-16. For HT-1 category, The MESCOM has estimated the number of installations and sales based on five-year CAGR. For HT-2a, the number of installations is estimated based on five year CAGR, whereas the sales are estimated based on the FY-16 growth over, the FY-15, after excluding the sales of twelve EHT installations which had shown negative growth. For these installations, the MESCOM has retained the sales for the FY18 at the FY16 level. Also, wherever the CAGR is negative, the MESCOM has retained the number of installations and sales at the FY16 level.

The observations of the Commission on sales forecast for the control period are as follows:

1. The table indicating the growth rates for the number of installations is furnished below:

Category	Percentage Growth Rates			
	2010-11 to 2015-16 5 year CAGR	2012-13 to 2015-16 3 year CAGR	FY16 growth over FY15	Growth rate proposed by MESCOM
LT-2a	3.69	3.37	3.25	3.69
LT-2b	3.64	3.27	2.82	3.29
LT-3	4.26	4.38	4.29	4.38
LT-5	6.78	6.91	7.59	6.97
LT-6 WS	5.31	5.94	3.68	5.94
LT-6 SL	6.29	5.25	6.99	5.25
HT-1	7.24	12.36	11.43	8.33
HT-2 (a)	8.06	5.13	9.68	6.97
HT-2 (b)	2.99	0.63	7.05	5.27
HT-3(a) & (b)	24.57	16.96	0.00	0.00
HT-4	-5.18	-10.42	4.56	0.00

It is noted that:

The MESCOM has not proposed any growth in the number of installations for HT-3 category even though the CAGR is positive and similarly for HT-4 category even though previous year growth is positive. The MESCOM shall explain the reasons for the same.

2. 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	FY16 growth over FY15	Growth rate proposed by MESCOM
LT-2a	6.71	6.08	6.02	5.87
LT-2b	11.02	13.04	19.06	13.07
LT-3	6.74	6.71	8.26	6.71
LT-5	0.50	1.13	3.08	2.60
LT-6 WS	6.62	4.72	4.00	4.72
LT-6 SL	5.52	3.62	9.92	3.64
HT-1	3.10	3.03	2.01	2.29
HT-2 (a)	-0.54	-2.28	-17.49	1.26
HT-2 (b)	0.53	-7.27	17.03	8.68
HT-4	-2.15	-0.37	17.34	8.81

It is noted that:

- i. The growth rate considered for LT-2a and HT-1 categories appears to be slightly low considering the past trends.
- ii. The growth rate considered for HT-2a, HT-2b and HT-4 categories appears to be higher considering past trends.
- iii. Since the number of installations for HT-4 categories has been retained at the FY-16 level, the sales to this category should also have been retained at the FY-16 level.

3. To validate the sales, category wise information in the following format shall be furnished:

i No. of Installations

Category	2014-15 Actuals		2015-16 Actuals		2016-17	
	As on 30th Nov, 2014	As on 31st March, 2015	As on 30th Nov, 2015	As on 31st March, 2016	As on 30th Nov, 2016	As on 31st March, 2017 (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)						
BJ/KJ						
IP						
Sub Total (BJ/KJ and IP)						
Grand Total						

ii. Energy Sales

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						
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)						
BJ/KJ						
IP						
Sub Total (BJ/KJ and IP)						
Grand Total						

III. RPO Compliance:

- For validating the RPO compliance and for working out APPC, the MESCOM shall furnish the data as per the format indicated below, duly reconciling the data with audited accounts:

a. Non-solar RPO:

No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase quantum from all sources		
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		
8	Non-solar RE sold to other ESCOMs		
9	Non-solar RE purchased from any other source like banked energy purchased at 85% of Generic tariff		
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		

b. Solar RPO:

No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase quantum from all sources		
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		
8	Solar energy sold to other ESCOMs		
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		
11	Total Solar Energy Purchased [No.2+ 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		

The MESCOM shall furnish the estimates for complying with solar and non-solar RPO for 2017-18, including cost implication for purchasing RECs, if any. In this regard the MESCOM shall furnish the following details, pertaining to it, duly tallying with the renewable energy purchase estimates made for the FY18:

Source	Capacity under PPA in MW as on 30.11.2016	Anticipated MW capacity addition under PPA during the remaining period of FY17	Anticipated capacity addition under PPA during FY18
Wind			
Mini-hydel			
Co-generation			
Biomass			
Waste to Energy			
Solar			

1. The contribution of Solar Power shall be computed duly considering the present status of the Solar projects for which the MESCOM has entered into PPA. The following data shall be furnished:

Type of Solar Plant	Capacity in MWp	Estimated Energy contribution and cost for FY17		Estimated Energy contribution and cost for FY18	
		Qty (MU)	Cost(Rs Crs)	Qty(MU)	Cost(Rs.Crs)
Solar Rooftop plants of < 500KW					
Solar Rooftop plants of >500KW					
1-3 MW Projects allotted to Farmers by KREDL.					
20 MW Projects Taluk wise issued by KREDL.					
Other MW scale projects					

Considering the RPO targets for the FY18, the MESCOM shall confirm as to whether it will furnish its readiness to meet the targets of both Solar and Non-Solar RPO for FY18.

IV. Cross-subsidy surcharge:

The Cross-subsidy surcharge for FY-16 has already been determined in the Tariff Order 2015 and the same is binding. Therefore, the details of CSS worked out in the petition based on actuals shall be deleted at page-62 and at Annexure-5. Further, the MESCOM shall clarify as to whether the CSS is computed as per the Tariff Policy-2006 or Tariff Policy-2016.

The MESCOM has not indicated in its petition that for NCE sources the prevailing wheeling charges would continue. Therefore, the same shall be included in the Petition. Further, the MESCOM shall include in its Prayer for approval of wheeling charges, cross-subsidy surcharge and RPO compliance.

V. Sales to IP Sets: MESCOM

APR 2016

As regards sales to IP sets, the Commission notes that, the overall sales have increased by 6.17 MU totaling to 1197.43 MU as against the approved sales of 1191.26 MU as per Tariff Order dated 2nd March, 2015 for FY16. Further, the Commission had approved a specific consumption of IP Sets as 4597 units / installation / annum for FY16. As per the consumption reported in format D2 of the filing by the MESCOM, the specific consumption works out to 4447 units / installation/annum for FY16. This indicates a decrease of 150 units / installation/annum in specific consumption. Thus, sales to this category has increased by 6.17 MU than the approved one and the number of installations has also increased by 15032 numbers than the approved no of installations of 263139.

The Commission in its Tariff Order dated 2nd March, 2015 had directed MESCOM to furnish IP set consumption every month based on all the energy meters' reading data of IP sets instead of assessing the consumption on the basis of readings of the meters provided to DTCs feeding predominantly IP sets. Therefore, MESCOM is required to justify its claims of IP consumption for FY16 as per the energy recorded on the basis of meters fixed to DTCs feeding

predominantly IP set loads. MESCOM shall furnish necessary data in support of its claims of IP set consumption for FY16.

ARR 2018

The Commission in its Tariff Order dated 30th March, 2016, had directed MESCOM to furnish IP set consumption every month based on energy meters' reading data of IP sets instead of assessing the consumption on the basis of readings of the meters provided to DTCs feeding predominant IP set loads. But, MESCOM has not furnished the IP set consumption data every month as directed. MESCOM shall furnish the consumption data based on the consumer energy meter readings.

As per format D2, MESCOM has projected a specific consumption of IP sets for FY18 as 4447 units/installation /annum but the specific consumption approved by the Commission for FY18 was 4280 units/installation/annum. This indicates an increase of 167 units/installation/annum from the approved specific consumption. MESCOM is required to furnish rationale for projecting IP set consumption based on the specific consumption of 4447 units/installation/annum for FY18. Based on the specific consumption of 4447 units/installation/annum, the estimated consumption for FY18 is given as 1352.32 MU. However, considering the specific consumption approved for FY18 and the estimated numbers of IP sets for FY18, the IP set consumption would be 1301.54 MU. MESCOM shall furnish the revised IP set consumption for FY18.

Further, MESCOM was directed to take up enumeration of IP sets to identify defunct/dried up wells in the field & complete it 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. MESCOM has not complied with this direction. MESCOM shall furnish details on this, in order to arrive at correct number of IP installations and for projecting correct number of installations for FY18 also.

3. Distribution Losses:

The actual distribution losses reported by MESCOM for FY16 is 11.50% as against 11.25% approved by the Commission in its Order dated 2nd March, 2015. Considering the actual losses of 11.57% reported by MESCOM for FY15, the reduction in distribution losses is 0.07% in FY16.

The Commission, in its Order dated 30th March, 2016 has fixed distribution losses at 11.05% for FY18 after considering the status of distribution losses in FY15. The distribution losses in FY16 are reported at 11.50% is higher than the approved loss levels, even though substantial capital expenditure is being incurred on system improvement works. The distribution losses projected for FY17 is at 11.15% which shows a reduction of 0.35% from the loss levels reported for FY16.

Considering the capital investment being incurred and also proposed, MESCOM is required to reassess the distribution losses for FY18 based on the losses projected for FY17.

Further, MESCOM shall furnish the data of Energy Audit for Town and Cities in the following format:

Name of the Town/City	FY16			FY17 (Cumulative as at the end of Nov, 2016)		
	Energy Input in MU	Energy Sold in MU	% Distribution Losses	Energy Input in MU	Energy Sold in MU	% Distribution Losses
TOTAL						

4. Power Purchase:

I. APR for FY16:

- MESCOM shall confirm whether it has finalized the power purchase quantum and cost as per the finalized reconciliation among the ESCOMs for FY16 and if so, shall furnish the basis for the same.
- The Average cost of Power purchase of KPCL Thermal and Hydel Stations indicated in Table on Page 17 for FY16 does not tally with the figures shown D1 format. Further, the Average cost of Power purchase of KPCL Thermal Stations shown in the DI Format for FY16 is to be corrected.
- The details of Energy considered as 'others' in Table on Page 17 for FY16 shall be furnished.
- MESCOM shall furnish details of prior period power purchase cost of Rs. 17.43 Crores considered for FY16 under Format D1.

II. Annual Revenue Requirement for FY-18:

1. The quantum and cost of source wise energy for FY17 in Format D1 shall be furnished duly considering the actual data up to November, 2016 and projected data for the balance period.
2. BTPS Unit III has not been considered for power purchase in FY18. Also, the new Yeramarus Thermal Power Station is scheduled to be commissioned. Hence MESCOM is required to furnish the reasons for not considering these Stations.
3. The computation sheets for considering the variable charges of the Central Generating Stations shall be furnished.
4. In case of Renewable Energy Sources, MESCOM is required to consider the latest actual available data of FY17 for projecting the power purchase for FY18.

5. Issues pertaining to items of Revenue and Expenditure:

- i. Format D1 for FY17 is to be furnished with data of actual energy and cost up to November, 2016 and projections thereon for the balance period.
- ii. MESCOM in its application for ARR for FY18, under format D6 has indicated an amount of Rs.239.88 Crores as P&G Trust. The Commission notes that, the above issue has already been decided in its Tariff Order dated 30th March,2016 wherein, it was noted that, as per GO dated 31.05.2002 and 19.12.2002, GoK is liable to meet the P&G requirement of existing pensioners and such liability cannot be passed on to the consumers. However, it is now reported by MESCOM that, as per the present directions of the Government of Karnataka, it has included an amount of Rs.239.88 Crores towards P&G Trust for FY18. MESCOM shall furnish the reasons / justifications along with Government Orders if any for inclusion of this amount as an item of expenditure in ARR of FY18 to be recovered from consumers during FY18 in contravention of the Commission's decision in Tariff Order 2016. Further, inclusion of this amount will have substantial tariff implications which cannot be passed to the consumers.

- iii. 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. Whether MESCOM has received subsidy pertaining to past period during FY16 and if so, details of the amount received may be furnished separately.
- iv. The bank / Financial Institution wise amount of long term and short term loans inclusive of over draft availed during FY17 (upto November 2016) along with rate of interest and amount of interest, term of loan and the purpose of loan availed shall be furnished.
- v. The Commission in its Tariff Order dated 2nd March,2015 has directed MESCOM to furnish detailed plan of action for utilisation of funds towards consumer relation / education and to maintain separate accounts of these funds and furnish the same at the time of APR. MESCOM is required to furnish the break-up of expenditure incurred under separate head of account towards consumer relation / education during FY16.
- vi. MESCOM shall furnish the details in respect of Remuneration to contract agencies of Rs.33.46 Crores indicated under A&G expenses for FY16:
- vii. The category wise connected loads indicated in Form D21 shall be justified with duly certified Distribution Circle wise data.
- viii. The category wise slab wise consumption indicated in Form D21 shall be justified with Division wise details of computation.
- ix. The breakup of number of consumers indicated in Form D21 based on sanctioned load under LT2, LT3 and LT5 categories shall be shall be justified with Division wise details.
- x. MESCOM, under Format D6 has projected an amount of Rs.52.46 Crores as expenditure towards terminal benefits for FY18. MESCOM is required to furnish the basis and computation for claiming this amount along with relevant actuarial valuation report.
- xi. MESCOM has considered an amount of Rs.26.34 Crores as depreciation on assets created out of consumer contribution/grants for FY16. MESCOM is required to furnish the computation for claiming this amount. Also, the

projected depreciation on assets created out of consumer contribution/grants for FY18 shall be furnished with details.

xii. As per balance sheet for FY16, MESCOM has received an additional equity of Rs.27.63 Crores. MESCOM shall furnish the date of receipt of this additional equity along with the copy of the relevant Government Order.

xiii. MESCOM shall furnish the Division wise actual data of demand/fixed charges and energy demanded from LT and HT Consumers during the FY16 and the FY17 (up to October,2016).

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

8. Compliance to directives issued by the Commission

MESCOM Observations on Directives		
Sl. No	Directives issued by the Commission	Observations made
1	Directive on Energy Conservation	<p>The MESCOM 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 to service all streetlight installations with LED/energy efficient lamps.</p> <p>The MESCOM has not submitted compliance on the above directive.</p> <p>MESCOM 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. The MESCOM shall submit the compliance on the same.</p>
2.	Directive on implementation of Standards of Performance (SoP)	<p>MESCOM was directed to display the SoP parameters in all its O&M subdivisions and O&M Sections. But, MESCOM has not submitted the quarterly compliance to the Commission. MESCOM shall submit the details of the same such as the number of O&M subdivisions and O&M Sections where SoP parameter displayed and the balance, if any, with definite time line to</p>

		complete the same.
3.	Directive on use of safety gear by linemen:	<p>MESCOM has not submitted the quarterly compliance report to the Commission regularly. The Commission had directed MESCOM to take action to sensitize all the linemen about the need for adoption of safety aspects in their work through suitably designed training and awareness programmes and devising suitable reporting system on the use of safety gear and also mandate supervisory/higher officers to regularly cross check the compliance by linemen.</p> <p>MESCOM is required to submit the compliance on the above.</p> <p>The MESCOM shall also submit the definite timeline by which all the linemen are provided with the complete set of safety gear including the additional tools proposed to be given.</p>
4	Directive on providing Timer Switches to Street lights by ESCOMs	<p>MESCOM was directed to provide timer switches to street light installations and later recover the cost from the local bodies. However, MESCOM has not submitted the quarterly compliance report to the Commission in this regard. MESCOM shall furnish the progress of no. of timer switches already installed in its jurisdiction.</p>
5	Directive on Load shedding	<p>MESCOMs is not submitting to KERC its projections of availability and demand for power and any unavoidable load shedding for every succeeding month in the last week of the preceding month for approval regularly. MESCOM shall submit compliance on the same.</p> <p>Also, MESCOM shall submit the reasons as to why it has not initiated a system of informing the consumers/public through SMS in case of load shedding due to any reasons. MESCOM shall submit compliance in this regard.</p>
6	Directive on establishing a 24X 7 fully equipped centralized consumer service centers	<p>MESCOM shall furnish the number of consumer interaction meetings have been held at the subdivisions during November 2016 and the response of consumer participation in such meetings.</p> <p>Further, MESCOM has reported that it has established 32 Nos of service stations by providing all the infrastructural requirements along with required men. In this regard, MESCOM shall furnish details such as the balance service stations required to be established in the Subdivisions/Sections and the likely time to be taken for establishing such service stations for redressal of consumer complaints.</p>
7	ENERGY AUDIT	<p><u>Energy Audit of cities / towns</u></p> <p>The MESCOM has furnished the abstract of energy audit details up to July 2016 only along with the comparative statement of losses for FY16 in its tariff application, but, the monthly reports are not being furnished to the Commission regularly. The MESCOM shall furnish the same upto November, 2016 along with the details of measures it has initiated to further reduce loss levels wherever the same are at higher level.</p> <p><u>DTCs Energy Audit:</u></p> <p>MESCOM has not reported as to how many DTCs are provided with meters</p>

		<p>and the status of energy audit being conducted at present. MESCOM is required to furnish the details of energy audit conducted in respect of DTCs for which meters have been fixed & remedial measures initiated to reduce losses in those DTCs and the timeline by which all the balance DTCs will be metered.</p> <p>Further, MESCOM has not furnished the monthly energy audit details of DTCs regularly to the Commission. The MESCOM is required to comply with the directives of the Commission issued in Tariff Order dated 30th March, 2016 in respect of energy audit of DTCs.</p>
8	Implementation of HVDS	<p>The MESCOM was directed to get the cost estimates prepared keeping in view overall cost of HVDS implementation and to obtain prior approval of the Commission for the same in respect of in Kadur sub-division. The MESCOM has not complied with the same. The MESCOM shall furnish DPR for implementation of HVDS in F-7 Doddapattanagere feeder in Kadur subdivision. Also, it shall submit the reasons for delay in implementation of HVDS in its jurisdiction.</p>
9	Implementation of NJY	<p>The MESCOM has reported that REC has sanctioned Rs 265.30 crore for implementation of NJY under DDUGJY in Shivamogga & Chikkamagaluru districts. The MESCOM shall furnish the details of the project such as number of feeders covered, objectives set expected benefits and the likely time required to complete the project.</p>
10	DSM in Agriculture	<p>The MESCOM has not submitted the monthly reports to the Commission on implementation of replacing the inefficient pump sets by efficient pump sets in its jurisdiction. The MESCOM shall furnish the reasons for delay in implementation of DSM measures and also furnish definite time period by which it would complete the program.</p>
11	Electrification of un-electrified Households	<p>The MESCOM shall furnish the correct details such as total number of households identified which are not electrified in its jurisdiction, number of households taken up for electrification under various Schemes and the realistic timeline for completion of electrification of such households.</p>
12	Subdivision as Strategic Business Units (SBU)	<p>The MESCOM was directed to implement Financial Management Framework in its O&M divisions and report compliance on quarterly basis to the Commission. The MESCOM has not initiated any action in this regard. In fact, the progress is reported same as that of last year. The MESCOM shall furnish the latest progress achieved in the field in implementation of Financial Management Framework in its O&M divisions, duly indicating the reasons for delay.</p>
13	Prevention of Electrical Accidents	<p>The MESCOM has not submitted the Division wise action plan to minimize accidents. It has also not submitted the details of number of hazardous installations identified, rectified and the details of improvements carried out on the distribution system during FY 2016 and FY 2017(up to November 16). The MESCOM shall furnish the details on the above.</p>
