

CHAPTER-4
ANNUAL PERFORMANCE REVIEW FOR FY21

4.1 Hon'ble Commission has approved the Annual Revenue Requirement of MESCOM for FY21 in the Tariff Order-2020 dated 04th November 2020. The tariff determined in the order was given effect from 01st November 2020. Thus, in FY21 MESCOM was able to accrue the benefit of tariff hike for five months only. Hence, out of the net gap of Rs.210.74 Cr arrived for FY21, Hon'ble Commission has treated the unrecovered portion of gap for seven months of the year amounting to Rs.122.93 Cr as regulatory asset and decided to amortize the same in the years FY22 and FY23. Rs.61.97 Cr has already been considered in ARR of FY22 and the remaining Rs.61.96 Cr is included in the ARR for the FY23 in the current filing.

MESCOM has finalized the Annual Accounts for FY21 and accordingly, proposing here below the Annual Performance Review for the financial year FY21, in accordance with the *KERC (Terms & Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2015*, for kind consideration of the Hon'ble Commission.

Audited Annual Accounts for FY21 has been considered in the current filing.

4.2 Annual Performance Review for the financial year FY21:

The operating and financial performance of the Company in FY21 is detailed in the foregoing paragraphs.

4.2.1 Operating Performance:

a. Energy Sales:

Category wise actual energy sales in FY21 as against the energy sales approved in Tariff Order-2020 are as below;

Category	FY20 MU	FY21 MU	
	Actuals	As apprd. in T.O. 2020	Actuals
LT-1: =< 40 Units	34.65	37.29	35.00
LT-1: > 40 Units	14.91	12.08	18.91
LT-2a	1464.71	1486.51	1529.78
LT-2b	14.86	14.24	8.05
LT-3	393.82	408.52	349.98
LT-4a	1728.92	1690.41	1685.25
LT-4b&c	8.96	8.98	9.59

LT-5	136.88	133.95	123.75
LT-6(W/s)	131.97	131.10	144.80
LT-6(St. Lt.)	66.47	72.11	66.79
LT-7	20.01	20.41	18.32
LT-Total	4016.16	4015.60	3990.22

Category	FY20 MU	FY21 MU	
	Actuals	As apprd. in T.O. 2020	Actuals
HT-1	95.71	109.04	100.79
HT-2a	635.20	685.91	550.54
HT-2b	205.72	220.55	140.44
HT-2c	139.87	159.93	89.81
HT-3a&b	69.68	48.86	95.59
HT-4	21.80	23.60	20.73
HT-5	3.40	2.16	2.29
HT-Total	1171.38	1250.05	1000.19
MSEZ Supply	56.88	(*)	60.98
KPCL Consumption	2.74	2.88	6.57
Grand Total	5247.16	5268.53	5057.96

(*) KERC has approved the total sales excluding sales to MSEZ (57.89 MU) but the energy is considered in generation point energy.

Category	% incr. / dec. w.r.t. FY20 Actuals	% incr. / dec. w.r.t. apprd. Quantum
LT-1:> 40 Units	1.01%	-6.14%
LT-1:≤ 40 Units	26.83%	56.54%
LT-2a	4.44%	2.91%
LT-2b	-45.83%	-43.47%
LT-3	-11.13%	-14.33%
LT-4a	-2.53%	-0.31%
LT-4b&c	7.03%	6.79%
LT-5	-9.59%	-7.61%
LT-6(W/s)	9.72%	10.45%
LT-6(St. Lt.)	0.48%	-7.38%
LT-7	-8.45%	-10.24%
LT-Total	-0.65%	-0.63%
HT-1	5.31%	-7.57%
HT-2a	-13.33%	-19.74%
HT-2b	-31.73%	-36.32%
HT-2c	-35.79%	-43.84%
HT-3a&b	37.18%	95.64%
HT-4	-4.91%	-12.16%
HT-5	-32.65%	6.02%
HT-Total	-14.61%	-19.98%
MSEZ Supply	-	-
KPCL Consumption	-	-
Grand Total	-3.61%	-4.00%

As can be observed from the above table, MESCOM has reached about 96% of the total approved sales in respect of both LT & HT category. In respect of LT & HT category the achievement is about 99% & 80%, respectively. When compared to FY20, the achievement stands at 99% & 85%, respectively.

Further, it can be noted that the high revenue yielding categories, i.e. industrial & commercial installations, are showing decreased growth in energy sales with reference to the approved sales and even with reference to FY20 position.

Category	FY-20 MU	FY-21 MU	
	Actuals	As apprd. in T.O. 2020	Actuals
Industrial & Commercial category	1526.35	1623.10	1262.57
Other Categories (*)	3661.19	3642.55	3727.84
Total	5187.54	5265.65	4990.41

Category	Incr. / dec. w.r.t. FY-20 Actuals	Incr. / dec. w.r.t. apprd. Quantum
Industrial & Commercial category	-263.78	-360.53
Other Categories (*)	66.65	85.29
Total	-197.13	-275.24

(*) MSEZ and KPCL consumption not included.

The prime reason for decrease in sales in respect of high yielding revenue categories can be attributed to the Covid-19 regulations prevailed in the year FY21.

LT-4a category has recorded 1685.25 MU of energy sales in FY21 which is less by 2.53% compared to FY20 and 0.31% compared to approved sales.

The data in respect of sales along with the consumption from open access / wheeling for the period from 2016-17 to 2020-21 are furnished below;

HT-2a (MU)

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
FY17	548.29	241.47	789.76
FY18	596.27	283.26	879.53
FY19	624.76	319.96	944.72
FY20	635.20	329.39	964.59
FY21	550.54	310.63	861.17

HT-2b (MU)

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
FY17	186.06	-	186.06
FY18	193.17	3.41	196.58
FY19	200.43	3.82	204.25
FY20	205.72	4.89	210.61
FY21	140.44	22.13	162.57

HT-2c (MU)

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
FY17	154.85	27.12	181.97
FY18	137.07	47.76	184.83
FY19	144.58	49.54	194.12
FY20	139.87	58.37	198.24
FY21	89.81	37.39	127.20

b. Distribution Loss:

In the Tariff Order 2020, Hon'ble Commission has approved an average distribution loss of 10.00% for FY21 with 10.25% being the upper limit and 9.75% being the lower limit against which the actual distribution loss of MESCOM in the year FY21 is 9.86%.

1	Energy at Interface Points in MU	5611.33
2	Total Sales in MU	5057.96
3	Distribution Loss (%)	9.86%

4.2.2 Financial Performance:

The financial performance of MESCOM as per the audited Annual Accounts for FY21 v/s the Annual Revenue Requirement approved by the Hon'ble Commission in the Tariff Order-2020 is tabulated below;

Particulars	ARR for FY21 apprd. in TO-2020 (Rs. In Cr.)	As per FY21 audited Accounts (Rs. In Cr.)
<u>A. INCOME:</u>		
Revenue from sale of power (#)	3000.82	2670.42 (#)
Revenue subsidies	1010.51	979.45
A-Total Income:	4011.33	3649.87
<u>B. EXPENDITURE:</u>		
(1) Purchase of Power	2805.94	2813.79
(2) KPTCL Transmission charges	319.22	293.01
(3) SLDC Charges	2.00	2.00
Sub-Total (1+2+3):	3127.16	3108.80
<u>O&M Costs:</u>		
(a) Repairs & Maintenance		64.99
(b) Employee Costs	702.32	467.61
(c) Administrative & General Expenses		113.39
Sub-Total (a+b+c):	702.32	645.99
Depreciation	153.53	193.14
<u>Interest & Finance Charges:</u>		
(i) Interest on Loan Capital	111.68	100.19
(ii) Interest on Working Capital	79.80	31.47
(iii) Interest on Consumer Deposits	38.34	30.15
(iv) Interest on belated power purchase payments	-	-
Sub-Total (i+ii+iii+iv):	229.82	161.81
Less: Interest & Finance charges capitalized	(2.10)	-
Other Debits (including bad debts)	-	6.55
Extraordinary items	-	(7.95)
Provision for taxes	-	-
Funds towards consumer relations	0.50	0.41
Sub-Total:	(1.60)	(0.99)
B-Total Expenditure:	4211.23	4108.75
Return on Equity	167.04	-
Surplus / (Deficit) of previous year	(233.55)	-
Less: Other Income	(133.38)	(143.41)
Sub-Total:	(199.89)	(143.41)
NET Annual Revenue Requirement	4011.33	3965.34
Net Movement in Reg. Deferral account balance	-	(262.50)
REVENUE Surplus / (Deficit)	-	(52.97)

includes revenue from MSEZ.

Particulars	As proposed for FY21 APR (Rs. In Cr.)
<u>A. INCOME:</u>	
Revenue from sale of power	2670.42
Revenue subsidies	979.45
A-Total Income:	3649.87
<u>B. EXPENDITURE:</u>	
(1) Purchase of Power	2813.79
(2) KPTCL Transmission charges	293.01
(3) SLDC Charges	2.00
Sub-Total (1+2+3):	3108.80
<u>O&M Costs:</u>	
(a) Repairs & Maintenance	64.99
(b) Employee Costs	467.61
(c) Administrative & General Expenses	113.39
Sub-Total (a+b+c):	645.99
Depreciation	193.14
<u>Interest & Finance Charges:</u>	
(i) Interest on Loan Capital	100.19
(ii) Interest on Working Capital	54.01
(iii) Interest on Consumer Deposits	30.15
(iv) Interest on belated power purchase payments	-
Sub-Total (i+ii+iii+iv):	184.35
Less: Interest & Finance charges capitalized	-
Other Debits (including bad debts)	6.55
Extraordinary items	(7.95)
Provision for taxes	-
Funds towards consumer relations	0.41
Sub-Total:	(0.99)
B-Total Expenditure:	4131.29
Return on Equity	135.24
Surplus / (Deficit) of previous year	-
Less: Other Income	(143.41)
Sub-Total:	(8.17)
NET Annual Revenue Requirement	4123.12
REVENUE Surplus / (Deficit)	(473.25)

There is no major variation in the expenditure with reference to the approved costs. However, there is increase in per unit power purchase cost compared to the approved cost.

Power Purchase Cost:

In the Tariff Order 2020, Hon'ble Commission has approved the energy at generation point as 6097.10 MU to cater energy sales of 5268.53 MU. Whereas MESCOM had to purchase 5863.64 MU and energy sales is 5057.96 MU.

Comparison of approved power purchase quantum & cost with that of actuals for FY21 is tabulated below;

Particulars	Approved in Tariff Order 2020		
	MU	Rs.in Cr.	Cost per unit (in Rupees)
MESCOM Energy Purchases	6097.10	2586.36	4.24
Energy Balancing	-	-	-
Transmission & other charges	-	540.80	-
Total	6097.10	3127.16	5.13

Particulars	Actuals of FY21		
	MU	Rs.in Cr.	Cost per unit (in Rupees)
MESCOM Energy Purchases	5623.08	2407.04	4.28
Energy Balancing	240.46	130.03	5.41
Transmission & other charges	-	571.73	-
Total	5863.54	3108.80	5.30

As can be observed, total power purchase cost incurred in FY21 is lower than the approved power purchase cost in Tariff Order 2020. However, average power purchase cost is higher by 17 Ps / unit. Thus, MESCOM had bear the additional power purchase cost of Rs.117.27 Cr. [17 paisa x 5863.54 MU = 99.68 Cr]

Further, consequent to reduced energy sales in the high revenue yielding categories MESCOM's revenue has been decreased by Rs.312.33 Cr when compared to approved energy sales and Rs.222.68 Cr when compared to FY20 sales.

Category	Incr. / dec. w.r.t. FY-20 Actuals (Rs.in Cr.)	Incr. / dec. w.r.t. apprd. Quantum (Rs.in Cr.)
Industrial & Commercial category	-260.62	-354.02
Other Categories (*)	37.94	41.69
Net Revenue Effect	-222.68	-312.33

Thus, there is a net revenue impact of about Rs.412 Cr to MESCOM in the year FY21 [Rs.99.68 Cr + Rs.312.33 Cr = Rs.412.01 Cr] and MESCOM had to record a loss in its P&L account.

Source wise details are submitted in Format D-1 and the abstract of the same is drawn below;

Source	Approved Energy Purchase and Cost for FY21				
	MU	Fixed Charges (Rs.in Cr)	Variable Charges (Rs.in Cr)	Total (Rs.in Cr)	Avg. Cost (Rs./unit)
1	2	3	4	5	6
KPCL_Thermal	1,199.46	330.93	427.62	758.55	6.32
CGS	1,967.56	255.57	637.80	899.23	4.57
UPCL	468.00	148.36	169.88	318.24	6.80
KPCL_Hydel	1,081.57	-	92.33	92.33	0.85
Other_Hydel	15.42	-	5.19	5.19	3.37
NCE	1,365.09	-	512.82	512.82	3.76
Short Term	-	-	-	-	-
UI Charges	-	-	-	-	-
Energy Balancing	-	-	-	-	-
Energy Sales (IEX)	-	-	-	-	-
PGCIL Charges	-	219.39	-	219.39	-
POSOCO Charges	-	-	-	-	-
KPTCL Tr. Charges	-	319.22	-	319.22	-
SLDC Charges	-	2.00	-	2.00	-
Other Charges	-	0.19	-	0.19	-
TOTAL:	6,097.10	1,275.66	1,845.64	3,127.16	5.13

Source	Actual Energy Purchase and Cost for FY21				
	MU	Fixed Charges (Rs.in Cr)	Variable Charges (Rs.in Cr)	Total (Rs.in Cr)	Avg. Cost (Rs./unit)
KPCL_Thermal	760.53	326.09	232.55	558.64	7.35
CGS	2,030.81	289.88	628.12	918.00	4.52
UPCL	280.34	141.89	86.14	228.03	8.13
KPCL_Hydel	1,155.76	-	123.68	123.68	1.07
Other_Hydel	19.11	-	3.30	3.30	1.73
NCE	1,531.88	-	624.65	624.65	4.08
Short Term	-	-	-	-	-
UI Charges	- 24.10	-	(5.53)	(5.53)	2.29
Energy Balancing	240.46	-	130.03	130.03	5.41
Energy Sales (IEX)	- 131.25	-	(43.73)	(43.73)	3.33
PGCIL Charges	-	245.68	-	245.68	-
POSOCO Charges	-	0.27	-	0.27	-
KPTCL Tr. Charges	-	293.01	-	293.01	-
SLDC Charges	-	2.00	-	2.00	-
Other Charges	-	30.77	-	30.77	-
TOTAL:	5,863.54	1329.59	1779.21	3,108.80	5.30

In view of the above, Hon'ble Commission is requested to allow the power purchase cost as incurred by MESCOM in FY21.

O&M Charges:

In FY21, MESCOM has incurred the O&M expenses as below;

Particulars	As approved in TO-2020 (Rs.in Cr.)	Actuals (Rs.in Cr.)
Repairs & maintenance		64.99
Employee Costs	702.32	467.61
Administrative & General expenses		113.39
Total:	702.32	645.99

Hon'ble Commission is requested to allow O&M expenses of Rs.645.74 Cr as incurred by MESCOM in FY21.

Depreciation:

As against the approved depreciation of Rs.153.53 Cr, MESCOM has provided Rs.193.14 Cr.

The assets created out of Govt. Grants and Consumer Contribution till 31.03.2016 amounting to Rs.515.17 Cr have been shown as a reduction in the Cost of fixed Assets and depreciation on these assets i.e. Rs.25.38 Cr is reduced from the total depreciation.

The Govt. Grants and Consumer Contribution received after 01.04.2016 are accounted as deferred income and depreciation chargeable on these assets i.e. Rs.36.15 Cr is taken to P&L Account as income under the head Other Income.

As such, Hon'ble Commission is requested to consider the depreciation amount provided in Annual Accounts for FY21.

Interest & Finance Charges:

In the Tariff Order 2020, Hon'ble Commission has approved the Interest & Finance Charges of Rs.229.82 Cr for the year FY21.

As per the provisions of MYT Regulations MESCOM has claimed the Interest & Finance charges in the APR of FY21 as follows;

Particulars	As approved in TO-2020	As per Accounts	As claimed in APR
Interest on Loan Account	111.68	100.19	100.19
Interest on Working Capital	79.80	31.47	54.01(*)
Interest on Consumer Deposits	38.34	30.15	30.15
Total	229.82	161.81	184.35

(*) Claimed Working capital is arrived as follows in line with MYT Regulations.

Particulars	As per Accounts (Rs.in Cr)
1/12th of O&M Expenses	53.81
Opening GFA	3379.31
1% of opening GFA	33.79
1/6th of Revenue	608.31
Total Working Capital	695.91
Normative Interest on Working Capital @ 11%	76.55
Actual interest on working capital incurred in FY21	31.47
Interest on working capital claimed	54.01

(*)Statement showing status of borrowing as on 31-03-2021 is enclosed as **Annexure-1**.

Funds towards Consumer Relations:

In FY21, MESCOM has incurred an expenditure of Rs.0.41 Cr towards consumer relation activities as against the approved expenditure of Rs.0.50 Cr. In this regard, the expenditure breakup details are furnished below;

Sl. No.	Particulars	Rs. in Lakhs
1		
2	Consumer Awareness Information Given in the Newspapers	15.25
3	CGRF Sitting Charges	0.11
4	Save and Safety Energy program	0.02
5	Janasamparka Sabha expenses	0.16
6	Revenue Collection awareness organized	0.08
7	Government ITI College (Vittal)	5.00
8	Support for construction of two anganavadi building each at Kadaba and Paladka	10.00
9	Support for construction of two anganavadi building each at Mangebettu and Tenkamajila	5.00
10	Support for construction of two anganavadi building in Kundapura	5.00
	Total:	40.62

Subsidy Release during FY21:

Details of subsidy claims by MESCOM and releases by GoK during FY21.

(Rs.in Cr)

Sl. No.	Particulars	MU	OB	Demand	Receipt	CB
1	Power supply to IP Sets of up to 10 HP (LT4a)	1685.25	847.94	959.03	852.70	954.27
2	Power supply to BJ/KJ upto 18 Units per month per Installations	35.00	-	28.21	28.21	-
3	Amount refunded in respect of IP Set payment made by farmers from 01.04.2001 to 31.03.2003	-	31.80	-	-	31.80
4	Old subsidy accounted as per GO No: EN 67 PSR 2017 BANGALORE Dated 31.07.2017	-	77.22	-	-	77.22
5	Gap to be paid by GOK for FY 2011-12 & FY 2012-13 as per KERC Truing-up Order	-	52.33	-	-	52.33
	Total:	1720.25	1009.29	987.24	880.91	1115.62

Return on Equity:

In the Tariff Order 2020, Hon'ble Commission has allowed the Return on Equity of Rs.167.04 Cr for FY21.

However, as per the provisions of Clause 3.9.1 of the KERC (Terms & Conditions for Determination of Tariff for Retail Sale of Electricity) Regulations the allowable Return on Equity works out to Rs.127.63 Cr, the computation details are as below.

(Return on Equity: Rs. in Crores)

Year	FY21
Opening balance of paid up share capital	558.68
Share Deposit	43.48
Reserves & Surplus (#)	280.50
Less: Recapitalized Security Deposit	(-)26.00
Total:	856.66
Rate of ROE	15.50%
RoE on opening equity of FY21	132.78
ROE on equity infused during FY21 (*)	2.46
Total ROE considered for APR	135.24

(#) excluding Reserve for Material Cost Variance, Capital Reserve and Net worth Adjustments.

(*) Return on equity for the additional equity received during FY21:

Sl. No.	Govt. Order No. / Date	Amount (in Cr)	Actual date of receipt	No. of Months	ROE
1	Energy 322 PSR 2020/Dt.29-08-2020	0.88	10-09-2020	7	0.08
2	Energy 321 PSR 2020/Dt.29-08-2020	15.33	14-09-2020	7	1.39
3	Energy 353 PSR 2020/Dt.29-08-2020	1.07	28-09-2020	7	0.10
4	Energy 322 PSR 2020/Dt.05-01-2021	0.88	21-01-2021	3	0.03
5	Energy 322 PSR 2020/Dt. 05-01-2021	0.20	19-01-2021	3	0.01
6	Energy 321 PSR 2020/Dt. 05-01-2021	15.33	25-01-2021	3	0.59
7	Energy 353 PSR 2020/Dt. 05-01-2021	1.07	21-01-2021	3	0.04
8	Energy 353 PSR 2020/Dt.19-03-2021	1.07	18-03-2021	1	0.01
9	Energy 322 PSR 2020/Dt. 19-03-2021	0.88	17-03-2021	1	0.01
10	Energy 322 PSR 2020/Dt. 19-03-2021	0.20	18-03-2021	1	0.00
11	Energy 321 PSR 2020/Dt. 19-03-2021	15.33	17-03-2021	1	0.20
	Grand Total	52.24			2.46

Status of Debt Equity Ratio:

Particulars	FY21
GFA Closing Balance	3944.04
Debt	1209.54
Equity	881.20
Normative Debt @ 70% of GFA	2760.83
Normative Equity @ 30% of GFA	1183.21
% of actual DEBT on GFA	30.67 %
% of actual EQUITY on GFA	22.34 %

The details of equity infused by GOK in FY22 (upto Sep) is furnished below;

Equity received during FY22 (upto Sep):

Sl. No.	Govt. Order No. / Date	Amount (Rs.in Cr)	Actual date of receipt
1	Energy 2461 PSR 2021/Dt. 19-07-2021	7.27	29-07-2021
2	Energy 282 PSR 2021/Dt. 03-08-2021	0.52	17-08-2021
3	Energy 283 PSR 2021/Dt. 04-08-2021	0.16	18-08-2021
4	Energy 283 PSR 2021/Dt. 04-08-2021	0.08	18-08-2021
Grand Total		8.03	

Other Income:

As per the Annual Accounts for 2020-21, the income under the head 'Other Income' is Rs.186.54 Cr. However, MESCOM has considered *Delayed Payment Charges from consumers* as tariff income and '*SRTPV facilitation fees*', *Supervision charges collected from National High Authorities*, *Application fee*, '*Supervision charges and other charges collected from IP set consumers using tune wells for irrigation*' which are consider under the head 'Other Operating Revenues' in the annual accounts are considered under 'Other Income' . Hence, 'Other Income; reckoned for APR is as below;

Particulars	FY21
'Other Income' as per Annual Accounts for 2020-21	186.54
Less: 'Delayed Payment Charges from Consumers'	(43.55)
Add: Certain sub heads considered under the head 'Other Operating Revenues'	0.42
'Other Income' considered for APR	143.41

The above amount of Rs.143.41 Cr includes Rs.36.15 Cr relating to depreciation on the assets created out of consumers' contribution and Government grants.

Incentive for prompt payment of power purchase bills:

Power Generators allow rebate as a percentage of the invoiced amount for arranging payment by ESCOMs within the prescribed time limit. The Incentive so availed is accounted as Income and shown under Other Income. KERC is allowing ESCOM to retain only 10% of the rebate amount and balance amount passed on to consumers in the retail tariff.

As ESCOMs make prompt payment of power purchase bills to earn rebate in spite of severe cash flow problems, the Hon'ble Commission is requested to allow incentive to be retained by the Company in full. Allowing incentive amount earned in full to be retained by ESCOMs would encourage making prompt payment in all cases and avail the benefit of incentive. Further, this would avoid late payment charges to the extent possible. Such incentive amount would be considered as Internal Resources and utilized appropriately.

To consider the Truing up result of previous year in the Truing up exercise of year under consideration.

The Hon'ble Commission is carrying out the Truing up exercise of the previous year/s annually since 2009 (25.11.2009) for the year 2007-08 onwards. The details of Trued up amount and the orders thereon are as under.

Sl. No	FY	The tariff order in which ARR was done	Net ARR as per APR order	Net revenue as per ARR order	Deficit (-) surplus (+)
1	2007-08	25.11.2009	942.69	900.58	-42.11
2	2008-09	25.11.2009	1141.93	1047.68	-94.26
3	2009-10	07.12.2010	1171.76	1175.25	3.50
4	2010-11	28.10.2011	1428.03	1347.65	-80.38
5	2011-12	06.05.2013	1529.70	1598.59	68.89
6	2012-13	12.05.2014	1997.31	1748.73	-248.57
7	2013-14	02.03.2015	1866.77	1952.77	86.00
8	2014-15	30.03.2016	2046.84	2191.35	144.51
9	2015-16	11.04.2017	2758.95	2363.21	-395.74
10	2016-17	30.05.2018	3372.13	2818.30	-553.83
11	2017.18	30.02.2019	3184.86	3156.64	-28.22
12	2018.19	04.11.2020	3037.25	3270.80	233.55
	Total		18256.11	17144.11	-906.66

The Hon'ble Commission is carrying out the process of tariff revision and also the truing up exercise every year without considering previous year/s trued up amount in the truing up exercise of the year under consideration. This has resulted in under recovery of overall deficit resulting into financial loss to MESCOM.

While arriving at the ARR for any particular year, Hon'ble KERC is considering revenue deficit of the year under APR at that point of time, so that the said deficit is recovered in the year for which ARR is being approved. So the revenue recovered for the year for which ARR was arrived will include the deficit of previous years also. Therefore while arriving at the APR of this particular year, the revenue to the extent of previous year's deficit is required to be set aside (deducted) and net of the revenue to the extent of previous year's deficit is required to be set aside (deducted) and net of the revenue has to be considered for APR. Alternatively, since Hon'ble KERC has considered the Gap of previous year as an expense while arriving at the ARR, same amount can also be considered as a part of expense in the APR of the particular year instead of deducting the same from Revenue. By doing so, the actual gap of the year under APR can be arrived. Otherwise the revenue recovered for previous year will suppress the actual gap of the year under APR.

An appeal is made in the current filing for the APR to pass on the deficit of the earlier years from FY 2007-08 to 2018-19 to the extent of Rs.906.66 crs (which includes the surplus as well as deficit of the relevant years making it to a net deficit as shown in the above table.

During filing APR for FY 2018-19, Company has requested to consider the deficit of previous years upto FY 2016-17 amounting to Rs.1111.98 Crs. However the claim of the Company was rejected by Hon'ble Commission stating that, **"As per the decisions of the Hon'ble ATE, True up of ARR once done cannot be re-opened at subsequent point of time"**. In this regard it is once again submitted that MESCOM is not requesting for reopening or redoing of the APR of the any earlier years for determination of the surplus or deficit of the respective years. MESCOM has already conceded for the APR results carried out by the Hon'ble Commission. The only appeal to the Hon'ble Commission is that, to pass on the result of APR of the respective years in the current APR to this Company.

It is evident from the records that, though the Hon'ble Commission is taking into account the surplus or the deficit of the relevant year for determining the tariff for ensuing financial year, it has not passed the deficit or surplus, as Hon'ble Commission is considering the entire revenue as the revenue of the year under consideration for APR. It is very conspicuous from the APR format that, the gap figure of the previous year considered in the tariff determination is missing in the APR. This missing figure is the reason for not passing on of the gap of the previous / earlier years.

It is prayed before the Hon'ble Commission to consider the trued up deficit balances to the extent of Rs.906.66 Crs, as shown in the above table in the truing up exercise of the FY 2021-21 which under consideration in this appeal petition.

In view of the above, MESCOM has indicated an amount of Rs.906.66 Crs in the ARR for FY23. However, MESCOM requests to Hon'ble Commission to consider the amount as Regulatory Asset and approve for amortizing the same in a period of five years from FY23 to FY27 equally.

4.2.3 Renewable Purchase Obligation (RPO) Compliance:

The Superintending Engineer (El.), TBC, KPTCL, Bengaluru has communicated the RPO compliance details of ESCOMs as per which Non-Solar & Solar RPO compliance of MESCOM are as follows (copy of the statement furnished by SLDC is enclosed as Annexure-2);

a. Non-solar RPO (Actuals for FY21):

Sl. No.	Particulars	Quantum In MU	Cost Rs.in Cr
1.	Total power purchase quantum from all sources excluding Hydro-energy	4690.20	2979.78
2.	Non-Solar RE purchased under PPA route at Generic Tariff including Non-Solar RE purchased from KPCL	785.08(*)	300.79(*)
3.	Non-Solar RE purchased at APPC	-	-
4.	Non-Solar RE (Green Energy) sold to consumers	-	-
5.	Non-Solar RE purchased from other ESCOMs	-	-
6.	Non-Solar RE sold to other ESCOMs	-	-
7.	Banked non-solar RE purchased @ 85% of Generic Tariff.	29.29(**)	9.72(**)
8.	Total Non-Solar RE Purchased [1+2+3-4+5-6+7]	814.37	310.51
9.	Non-Solar RPO Target (%)	13.00%	
10.	Non-Solar RPO Complied (%)	17.36%	

(*) Includes Mani and Shimsha
 Mani : 2.16 MU (Rs.0.38 Cr.)
 Shimsha : 5.01 MU (Rs.0.63 Cr.)

(**) Banked non-solar energy of 29.29 MU
 Mini Hydel : 27.30 MU (Rs.9.17 Cr)
 Wind Mill : 1.99 MU (Rs.0.55 Cr)
Total : 29.29 MU (Rs.9.72 Cr)

b. **Solar RPO (Actuals for FY21):**

Sl. No.	Particulars	Quantum In MU	Cost Rs.in Cr
1.	Total power purchase quantum from all sources excluding Hydro-energy	4690.20	2979.78
2.	Solar RE purchased under PPA route at Generic Tariff including Solar RE purchased from KPCL	830.32(***)	371.11(***)
3.	Solar RE purchased at APPC	-	-
4.	Solar RE (Green Energy) sold to consumers	1.26	0.06
5.	Solar RE purchased from other ESCOMs	-	-
6.	Solar RE sold to other ESCOMs	-	-
7.	Banked solar RE purchased @ 85% of Generic Tariff.	0.65	0.17
8.	Total Solar RE Purchased [1+2+3-4+5-6+7]	829.71	371.22
9.	Solar RPO Target (%)	8.50%	
10.	Solar RPO Complied (%)	17.69%	

(***) includes Solar Rooftop Energy of 7.06 MU (Rs.4.76 Cr)

4.4 Copy of the audited Accounts for FY21 and copy of the provisional unaudited half yearly accounts for FY22 are enclosed as **Annexure-3a** and **Annexure-3b**.

4.5 **Capital Expenditure incurred during FY21 is indicated below;**

In Tariff Order 2020, Hon'ble Commission has approved CAPEX of Rs.914.75 Cr for FY21 as against of which MESCOM has incurred Rs.402.83 Cr which includes Rs.235.23 Cr relating to work orders sanctioned during previous years.

Sl. No.	Particulars	Apprd. For FY21	FY-21(Actuals)		Total
			Expd. Relating to works sanctioned prior to FY21	Expd. Relating to Works sanctioned in FY21	
A.	Regular works				
1.	Extension & Improvement (E&I) works (Additional Transformers, Link-Lines, HT/LT Re-conductoring, HVDS , UG/AB Cable etc.)	250.00	76.00	29.09	105.09
2.	DTC metering	45.00	1.40	-	1.40
3.	Replacement of Electromechanical meters by Static meters	5.00	0.26	1.75	2.01
4.	Replacement of faulty Distribution Transformers	5.00	0.13	1.64	1.77
5.	Service Connection	55.00	10.56	18.14	28.70
6.	<u>Rural Electrification (General)</u>				
a.	Electrification of Hamlets	2.00	(0.26)	-	(0.26)
b.	Energisation of IP sets under general, Ganga Kalyana schemes etc	55.00	18.99	28.70	47.69
c.	Electrification of BPL Households	0.25	-	-	-
	Sub- Total	57.25	18.73	28.70	47.43
7.	<u>Tribal Sub-Plan</u>				
a.	Electrification of Tribal Colonies	1.50	0.46	0.02	0.48
b.	Energisation of IP sets	0.95	0.26	0.81	1.07
c.	other improvement works	0.05	0.41	0.32	0.73
	Sub- Total	2.50	1.13	1.15	2.28
8.	<u>Special Component Plan</u>				
a.	Electrification of S.C Colonies	1.00	-	0.04	0.04
b.	Energisation of IP sets	1.40	0.59	1.88	2.47
c.	other improvement works	0.10	1.84	0.96	2.80
	Sub- Total	2.50	2.43	2.88	5.31
9.	Tools & Plants & Computers	10.00	-	4.06	4.06
10.	Civil Engineering Works	60.00	32.33	1.96	34.29
11.	33 KV Station and Line Works	70.00	13.87	1.58	15.45
12.	Solar Roof top on Company Buildings	1.50	0.17	0.21	0.38
	Total-A:	563.75	157.01	91.16	248.17

(Rs.in Cr.)

Sl. No.	Particulars	Apprd. For FY21	FY-21(Actuals)		Total
			Expd. Relating to works sanctioned prior to FY21	Expd. Relating to Works sanctioned in FY21	
B.	<u>GoI/GoK Scheme works</u>				
1.	Deen Dayal Upadyaya Grama Jyoti Yojana (DDUGJY)	50.00	49.68	12.19	61.87
2.	IPDS: System improvement & Strengthening works in R-APDRP / statutory towns	20.00	16.33	10.80	27.13
3.	IPDS:Gas insulated substations	55.00	5.55	12.07	17.62
4.	IPDS (Integrated Power Development Scheme) Phase II-IT	6.00	-	-	-
5.	Providing Infrastructure to regularized UIPand general IP sets - Phase-III	45.00	3.56	38.79	42.35
6.	Improvement works for Model Electricity Village	30.00	-	-	-
7.	Improvement works for Model Sub-division	140.00	3.11	2.58	5.69
8.	Saubhagya	5.00	-	-	-
	Total-B:	351.00	78.23	76.43	154.66
	GRAND TOTAL:	914.75	235.24	167.59	402.83

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