

## MESCOM

### Preliminary Observations on Revision of ERC & Tariff filing for FY13

#### 1. General Observations on ERC / Tariff filing application:

As per KERC (Fees) Regulations, 2004, ESCOMs are required to pay fee of 0.025% of the expected revenue receipts in the year for which the tariff is to be determined by the Commission. The expected revenue receipt sought for approval being Rs.1984.44, the fee payable would be Rs.49,61,100/-. However MESCOM has paid a fee of Rs.44,16,625/- along with the tariff filing. As such MESCOM is required to pay balance amount of Rs.5,44,475/-.

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

- i) A2, A3 and A4
- ii) D3 to D20 and D22 to D24

The tariff application does not include the relevant chapters detailing the proposed item wise expenditure for FY13. Also item wise expenditure indicated under form A1 is not supported by detailed calculation sheets. MESCOM shall furnish these details.

In form D21 the number of installations are indicated as at the end of the year instead of mid year figures. MESCOM shall furnish correct statement of D21.

MESCOM in its prayer on page17 has stated that it has proposed a hike of 73 paise across of the categories except BJ/KJ and IP set installations. However considering the projected deficit inclusive of deficit of FY11 and

FY12, the per unit hike would be 75.19 paise. MESCOM shall furnish the correct figures.

## 2. Sales Projections for FY13:

1. MESCOM in their tariff filing has submitted the category wise sales in D-2 format for FY13 only. MESCOM is requested to furnish the details in D-2 format for the years FY11 & FY12 also.
2. MESCOM has not furnished the basis for arriving at the category wise sales and number of installations for FY13. The same shall be furnished.
3. MESCOM has considered the figures for sales, as approved by the Commission in its Tariff order dated 28.10.2011 for FY12. Since the actual data is available till the end of January-12, MESCOM needs to estimate the sales & number of installations considering actuals up to January-12 and reasonable estimates for feb-12 & Mar-12. Based on these, projections needs to be estimated for FY13.
4. **LT 4a category:** MESCOM shall furnish the specific consumption based on actual data available from Apr-11 to Jan-12.
5. **LT: 1-**MESCOM shall furnish the following details for the current year FY12:

<b>Particulars</b>	<b>Number of installations as on 31.01.2012</b>	<b>Cumulative sales in MU as on 31.01.2012</b>
BJ/KJ consuming less than 18 units/month		
BJ/KJ consuming more than 18 units/month		

6. **LT-6 Streetlights:** Specific consumption/kW/month of connected load as per FY-12 [up to January12] actual meter readings shall be furnished.

7. For the purpose of validating the sales, MESCOM shall furnish the following data for the years FY10, FY11 & FY12:

Month	FY10			FY11			Sales-MU FY12*		
	Metered [Other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [Other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [Other than BJ/KJ & IP	BJ/KJ & IP	Total
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
Jan									
Feb									
March									
Total									

**Note: FY12 actual up to Jan-12 & estimates for Feb12 & Mar12**

8. MESCOM shall furnish the details of installations as under:

Month	FY10			FY11			Numbers FY12*		
	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
Jan									
Feb									
March									
Total									

List of pending applications in HT2(a), HT2(b) and LT5 categories along with the requisitioned load as on 31<sup>st</sup> December 2011 shall be furnished.

### **3) Power Purchase for FY13:**

MESCOM shall clarify whether the proposed power purchase is as per the Orders of the GoK vide No. EN 126 EMC 2010 dated 4<sup>th</sup> January 2012 wherein ESCOM wise allocation of power is made. Also MESCOM shall clarify whether the rates on which power purchase cost is being projected is based on the power purchase agreements executed with the respective Generators.

MESCOM in its Form D1 has indicated 9.38 MU as medium / short term power procurement at an average rate of Rs.5.66 / unit. In this regard MESCOM is required to furnish details of sources identified for procurement of 9.38 MU. Further MESCOM has indicated 1.25 MU of power to be procured at Rs.5.04 / unit to meet deficit. MESCOM shall furnish the details of the source identified to meet such deficit.

### **4) Distribution Losses for FY13:**

MESCOM has proposed distribution loss of 12% for FY13 as against an actual distribution loss of 11.92% achieved during FY11. The Commission in its Tariff Order dated 28<sup>th</sup> October 2011 had fixed a distribution loss target of 12.10% for FY12. The proposal of MESCOM indicates an increase in distribution losses by 0.18% from the actual loss levels achieved in FY11. As such it is requested to review distribution loss levels at a lower level than achieved in FY11.

### **5) Observations on items of ARR:**

#### **i) O & M expenses:**

MESCOM shall indicate whether quantum of provision made for pension, leave and gratuity is as per latest actuarial valuation report.

MESCOM has not furnished details of its projected O & M expenses as specified under MYT Regulations. In the present filing O & M expenses for FY13 have been projected at 25% more than the approved O & M expenses for FY12. MESCOM shall furnish detail calculation sheet of proposed O & M expenses as specified under MYT Regulations.

**ii) Depreciation:**

MESCOM has not furnished detailed calculation sheet of its projected depreciation for FY13. The same shall be furnished.

**iii) Interest and Finance charges:**

An amount of Rs.174.67 Crores is claimed as interest and finance charges for FY13 without furnishing details of interest on loan, interest on consumer deposit and interest on working capital. Further, it is noted that the amount of interest and finance charges claimed for FY13 is 69% more than the approved figures of FY12. MESCOM shall furnish reasons for such steep increase in its claims and furnish the details of interest and finance charges as per formats / MYT Regulations.

**iv) Return on Equity:**

MESCOM has claimed an amount of Rs.54.82 Crores as RoE for FY13 as against an approved RoE of Rs.38.79 Crores for FY12. MESCOM shall indicate the basis for arriving at the proposed RoE for FY13.

**v) Funds towards consumer relations / consumer education:**

MESCOM has indicated an amount of Rs.0.50 Crore towards consumer relations / consumer education for FY13 as approved by the Commission for FY12. MESCOM shall furnish the details of its proposed

expenditure to meet the objectives set by the Commission in its Tariff Order dated 28<sup>th</sup> October 2011. Further MESCOM shall furnish the details of such actual expenditure incurred during FY12 upto 31<sup>st</sup> January 2012.

**6) Observations on projected revenue for FY13:**

It is observed that MESCOM has projected its revenue at existing tariff for FY13 without indicating the basis for projection. Also MESCOM has not furnished category wise details for FY11 and FY12 under format D2. Further, it is observed that MESCOM has not furnished details of no. of installations, sales, revenue for each tariff sub categories like LT 2 (a) (i), LT 3(a) (i) etc., in format D2. The same shall be furnished.

**7) Compliance to Directives issued by the Commission:**

The Commission in its Tariff Order dated 28<sup>th</sup> October 2011 had issued various directives for compliance by ESCOMs. The Commission had also stipulated time frame for taking suitable actions and reporting the same to the Commission. However in the present filing, MESCOM has not furnished compliance report on the directives issued by the Commission. As such MESCOM is requested to furnish detailed report on the status of compliance to the Directives.

**8) Cross subsidy level for FY13:**

As per the Tariff Policy cross subsidy surcharge to any category should not exceed plus or minus 20% for the year FY10-11 onwards. In the present filing it is observed that the entire tariff hike proposal is made out for an increase of Rs. 0.73 per unit uniformly without taking into consideration average cost of supply v/s average billing rate for each category of consumers.

The following table indicates average cost of supply v/s average billing

rates as proposed by MESCOM wherein there is variation of cross subsidy contribution beyond permissible +/- 20%.

<b>Category</b>	<b>Avg.cost of supply (Paise/unit)</b>	<b>Avg. Realisation. (Paise/unit)</b>	<b>Percentage Cross Subsidy</b>
LT2 (a)	517	440.02	-14.89%
LT 2 (b)	517	726.71	40.56%
LT 3	517	783.49	51.55%
LT 4(a)	517	306.00	-40.81%
LT 4(b)	517	291.67	-43.58%
LT 4 ( c)	517	355.88	-31.16%
LT 5	517	611.78	18.33%
LT 6(WS)	517	516.43	-0.11%
LT 6(SL)	517	549.75	6.33%
LT 7	517	1187.27	129.65%
HT 1	517	500.89	-3.12%
HT 2 a	517	625.03	20.90%
HT 2 b	517	772.07	49.34%
HT 3 a	517	441.18	-14.67%
HT 3 b	517	320.00	-38.10%
HT 4	517	575.59	11.33%

As such MESCOM is required to propose its category wise tariff hike proposal with suitable corrections in line with the Tariff Policy.

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## **KARNATAKA ELECTRICITY REGULATORY COMMISSION**

### **NOTE**

**NO.B/03/12/**

**Dated: 6<sup>th</sup> February 2012**

1. MESCOM vide its letter dated 27<sup>th</sup> January 2012, has filed its application for Revision of ERC and Revision of Tariff for FY13. After verification / scrutiny of the ERC and Tariff application, the staff of the Commission has prepared preliminary observations on the filing.
2. A draft copy of the preliminary observations is placed in the file for perusal and approval of the Commission.

Director (Tech.) / Director (Tariff)

3. Secretary



