

CHAPTER – 2

SUMMARY OF FILING & TARIFF DETERMINATION PROCESS

2.0 Background for Current Filing:

The Commission in its Tariff Order dated 30th March, 2016 had approved the ARR for FY17 to FY19 and the Retail Supply Tariff of BESCOM for FY17 under the MYT principles for the fourth control period of FY17 to FY19. BESCOM in its present application filed on 30th November, 2016 has sought Annual Performance Review for FY16 based on the audited accounts, approval of Revised ARR for the second year of the fourth control period i.e. FY18 and Revised Retail Supply Tariff for FY18.

BESCOM, in its application, has made the following new proposals:

- i) Increase in fixed charge for HT Consumers;
- ii) Change in Wheeling and Banking facility;
- iii) Revision of Open Access Charges;
- iv) Inclusion of morning peak hours under ToD tariff;
- v) Revision of Specific Consumption of IP Sets;
- vi) Tariff for Auxiliary Consumption by KPTCL Sub Stations;

2.1 Preliminary Observations of the Commission:

After the scrutiny of applications, the Commission communicated its preliminary observations to BESCOM on 20th December, 2016. The preliminary observations were mainly on the following points:

- Capital Expenditure
- Energy Sales
- Assessment of IP set consumption
- RPO Compliance
- Power Purchase

- Cross Subsidy Surcharge
- Distribution Losses
- Issues pertaining to items of revenue and expenditure
- Compliance to Directives.
- Financial implications on the new proposals.

BESCOM has furnished its replies on 30th December, 2016. The Commission had issued Rejoinders to the replies vide Commission letter dated 10th January, 2017, the replies to the Rejoinder were received vide letter dated 16th January 2017. The replies furnished by BESCOM are considered in the respective Chapters of this Order.

2.2 Public Hearing Process:

As per the provisions of the Electricity Act 2003, the Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006, read with the KERC Tariff Regulations 2000, and the KERC (General and Conduct of Proceedings) Regulations, 2000, the Commission, vide its letter dated 10th January, 2017, treated the application of the BESCOM as a petition and directed the BESCOM to publish the summary of the application for APR of FY16, approval of Revised ARR for FY18 and retail supply tariff for FY18, in the newspapers, to call for objections, from the interested persons/stakeholders.

Accordingly, BESCOM has published the Notices in the newspapers as follows:

Name of the News Paper	Language	Date of Publication
Deccan Herald	English	08-1-2017 &
The Hindu		
Samyukta Karnataka	Kannada	09-1-2017
Vijaya Karnataka		

The BESCOM's application on APR of FY16, Revised ARR for FY18 and Revision of Retail supply tariff for FY18, were also hosted on the web-sites of BESCOM and

KERC for the ready reference and information of the stakeholders and the general public.

In response to the application of BESCOM, the Commission has received Nine statements / letters of objections. BESCOM has furnished the replies to all these objections. The Commission has also held a Public Hearing on 20th February, 2017 at the Court Hall of the Commission in Bengaluru. The details of the written / oral submissions made by various stake holders and the response from BESCOM thereon have been discussed in **Chapter – 3** and Appendix-1, appended to this Order.

BESCOM has subsequently filed an amendment application to its tariff application on 16th February, 2017, and the Commission vide its order dated 20th February, 2017, had ordered BESCOM to publish the summary of amendment application in the newspapers calling for objections. BESCOM has published the notification on 22nd February, 2017, inviting objections from the interested persons to be filed within 30 days from the date of the notification published in the newspapers as follows:

Name of the News Paper	Language	Date of Publication
The Times of India	English	22-2-2017
Vijaya Vani	Kannada	& 22-2-2017

2.3 Consultation with the Advisory Committee of the Commission:

The Commission has discussed the proposals of the KPTCL and all the ESCOMs in the State Advisory Committee meeting held on 8th March, 2017. During the meeting the following important issues were discussed:

- Performance of KPTCL / ESCOMs during FY16
- Major items of expenditure of KPTCL / ESCOMs for FY18

Members of the Committee have offered valuable suggestions on the proposals. The Commission has taken note of these suggestions while passing the Order.