

## **PRESS NOTE**

### **REVISION OF ELECTRICITY TARIFF FOR 2012-13**

Karnataka Electricity Regulatory Commission (KERC) has ordered revision of electricity tariff for all the Electricity Supply Companies in the State for the Financial Year 2012-13. The revised tariff shall be applicable for the financial year 2012-13 and will come into effect for the electricity consumed from the first meter reading date falling on or after 30<sup>th</sup> April 2012.

The average tariff increase approved by the KERC amounts to 13 paise per unit and varies across different categories of consumers. This is against the 73 paise increase sought by the ESCOMs uniformly for all the categories of consumers other than IP set users and Bhagya Jyothi and Kuteer Jyothi beneficiaries. The lowest tariff increase of 10 paise per unit is approved for domestic consumers.

Out of the 195 lakhs consumers in the State, increase in tariff of 10 paise per unit is allowed for 141.52 Lakhs of consumers including domestic consumers in both urban and Rural Areas and farmers with IP sets of more than 10HP. Increase in tariff of 20 paise per unit is ordered for about 24 Lakhs of consumers including industries and commercial installations.

The KERC has reduced the tariff by 50 paise per unit for LT water supply installations both in urban and rural areas. Further, the Commission has not increased tariff for HT Water supply installations. During the tariff hearings the

Rural Development Department of the State Government had requested the Commission to consider a reduction in the tariff for water supply installations in the rural areas.

The electricity tariff for household consumption in **urban areas** is increased from Rs.2.20 to Rs.2.30 per unit of consumption up to 30 units, from Rs.3.40 to Rs.3.50 per unit of consumption between 30 units to 100 units, from Rs.4.50 to Rs.4.60 per unit of consumption between 100 units and 200 units and from Rs.5.50 to Rs.5.60 per unit of consumption beyond 200 units per month.

The electricity tariff for household consumption in **rural areas** is increased from Rs.2.10 to Rs.2.20 per unit of consumption up to 30 units, from Rs.3.10 to Rs.3.20 per unit of consumption between 30 units to 100 units, from Rs.4.20 to Rs.4.30 per unit of consumption between 100 units and 200 units and from Rs.5.00 to Rs.5.10 per unit of consumption beyond 200 units per month.

The tariff for irrigation pump sets above 10 HP, private horticulture nurseries, and coffee and tea plantations has also been increased by 10 paise from Rs.1.40 to Rs.1.50.

➤ **Commercial & Industrial Tariff:**

The existing tariff for Commercial and Industrial consumers across the State has been increased by 20 paise per unit.

For the LT industrial units, the tariff has been increased from the earlier rates ranging from Rs.4.00 to Rs.5.00 per unit in Bangalore to the new rates ranging from Rs.4.20 to Rs.5.20 per unit. In other areas, the new tariff ranges from Rs.4.00 to Rs.5.00 per unit.

The LT commercial tariff in urban areas has been increased from Rs.6.00 to Rs.6.20 per unit for the first 50 units and from Rs.7.00 to Rs.7.20 per unit for consumption beyond 50 units. In the rural areas, the new rates will be Rs.5.70 (Rs. 5.50 earlier) for the first 50 units and Rs.6.70 (Rs.6.50 earlier) per unit for consumption beyond 50 units.

For the HT industrial users, the tariff has gone up by an uniform 20 paise per unit over the existing rates of Rs.4.90 and Rs.5.30 per unit to Rs.5.10 and Rs.5.50 per unit.

➤ **Government Subsidy:**

The amount of subsidy to be paid by the Government towards free supply of electricity to 19.45 lakh farmers with IP sets below 10 HP, and 28.16 lakh Bhagyajyothi / Kuritjyothi households is increased to Rs.4722 Crores for the current year from Rs.4156 Crores paid for 2011-12. The bulk of this increase is on account of the increase in the consumption of IP Set users which is going up from 14297 million units estimated for 2011-12 to 14875 million units in 2012-13.

➤ **Time of the day tariff made compulsory:**

The Commission has decided to make Time of Day Tariff compulsory for HT2(a) and HT2(b) consumers with a contract demand of 500 KVA and above with effect from 1<sup>st</sup> September 2012. The optional ToD would continue till 1<sup>st</sup> September 2012 for such HT2(a) and HT2(b) consumers. For HT2 (a) and HT2 (b) consumers with contract demand of less than 500 KVA and for LT5 and HT1 consumers the optional ToD is continued as existing earlier. The consumers covered by the time of day tariff have to pay Re.1.00 extra per unit for the electricity consumed between 6.00p.m to 10.00p.m. They will get a rebate of Rs.1.25 per unit for the electricity consumed between 10.00p.m. and 6.00a.m.

The system of Time of Day (ToD) tariff is aimed at discouraging consumption of electricity during the peak hours and promoting consumption during off peak hours. Many industrial establishments are able to suitably schedule their power consumption to reduce their consumption during peak hours by rescheduling their processes. This would greatly help the ESCOMs to manage their supply by minimizing the need for load shedding during peak hours. ToD tariff had been introduced in the State on an optional basis since 2009-10 which has gained acceptability from many industrial units.

➤ **Cross Subsidy surcharge:**

Open access consumers who opt to buy power from generating companies or trading companies other than ESCOMs directly (even if they are using ESCOM's network) are required to pay cross subsidy surcharge in addition to wheeling charges. The rates of cross subsidy surcharge vary from 11paise per unit to Rs.2.05 per unit depending upon the voltage level and the tariff applicable to the relevant category of consumers.

The cross subsidy payable for 2012-13 by HT industrial consumers at 66 kV & above voltage level will be 43 paise/unit and at 33/11 kV voltage level it will be 11 paise/unit respectively. Similarly, the cross subsidy for HT commercial consumers at 66 kV & above voltage level will be 205 paise/unit and at 33/11 kV voltage level will be 173 paise/unit.

The cross subsidy under the Electricity Act is meant to compensate distribution companies for the loss of margin when their customers with tariff structure higher than the cost of service exercise the option to buy power from other sources

➤ **Fuel cost adjustment Charges:**

Power purchase cost of ESCOMs consists of fixed cost and variable cost. The main component of the variable cost is the cost of fuels like coal, diesel, naphtha etc., These fuel costs vary from time to time and the generators pass on the

change in costs to the ESCOMs and in turn the ESCOMs have to recover the same from their consumers.

The Hon'ble ATE in its order in OP No.1/2011 dated 11th November 2011, has issued directions to introduce a formula/mechanism for passing on the variation in the cost of power on account of changing fuel prices to the consumers. Accordingly, the Commission has decided to introduce the mechanism for collection of fuel cost adjustment from consumers. The Commission will issue a separate Order in the matter, which will be effective from the current year.

➤ **Annual Revenue Requirement (ARR) of ESCOMs for FY13:**

On a detailed review of the Tariff Applications of the ESCOMs for the Financial Year 2012-13, the KERC has approved a total expenditure of Rs.23, 907.78 Crores for all the ESCOMs which would be supplying about 49,300 Million Units (excluding Transmission & Distribution losses of about 18.71%) during FY13 as against 42,000 Million units sold in FY12. The ESCOMs will procure during the current year about 61,000 Million Units as against 53,455 Million Units approved for FY12. The Bangalore Electricity Supply Company (BESCOM) will account for more than 50% of the energy supplied at 25,856 Million Units with an ARR of Rs.13, 025.31 Crores for FY13.

Out of about 61000 million units to be procured by ESCOMs in 2012-13, over 8700 Million units are being procured on short term basis at an average cost of Rs.4.46

per unit as approved by the Commission. The average cost of short term power has decreased from Rs.6.35 per unit in 2009-10, Rs.4.94 per unit in 2010-11 and Rs.4.73 in 2011-12, even though the quantum of short term power procured to meet the growing demand has gone up from 1535 million units in 2009-10 to 8710million units in 2012-13.

➤ **Regulatory Asset Absorbed:**

The regulatory asset of Rs.401 Crores reserved for FY 13 in the Commission's Tariff Order dated 07.12.2010 has been fully absorbed in the tariff approved now and there is no balance amount of Regulatory asset to be recovered in the next year.

➤ **Reducing Distribution Losses**

The approved distribution losses for FY 12 and the proposed and approved distribution losses for FY 13 are as under:

**Distribution Loss levels for FY 12 & FY13**

**% Distribution Losses**

ESCOM	FY12	FY13	
		Proposed	Approved.
BESCOM	14.50	14.25	14.00
MESCOM	12.10	12.00	12.00
CESC	15.25	15.00	15.00
HESCOM	19.35	18.00	18.00
GESCOM	21.00	19.50	19.50
<b>Overall</b>	<b>16.16</b>		<b>15.36</b>

The distribution losses of 16.16% in 2010-12 are targeted to come down to 15.36% in FY 13.

➤ **Other Highlights:**

BESCOM, MESCOM, CESC, HESCOM and GESCOM had filed applications on 27.1.2012 for approval of Revised Annual Revenue Requirement with proposals for revision of tariff citing overall increase in the cost of operations and increase in the cost of power purchase. The details of the projected revenue gap and increase in the tariff sought as per the applications filed by the ESCOMs for FY 13 are as under:

**Proposed ARR**

Rs. In Crores

Particulars	BESCOM	MESCOM	CESC	HESCOM	GESCOM	Total
Total Expenditure (ARR) with gap of previous years	14394.96	1878.06	2276.96	4592.38	2626.18	25768.54
Total Gap considered for Tariff	1597.70	217.79	199.85	311.37	212.04	2538.75
Sales to BJKJ & IP sets	4786.02	939.42	2350.33	4717.64	3074.92	15868.33
Sales to Other categories in MU	21726.29	2896.63	2769.89	4375.19	2882.79	34650.79
Increase in Tariff sought –Paise per unit	73	73	73	73	73	73
Additional Revenue through tariff Revision	1597.70	217.79	199.85	311.37	212.04	2538.75
Percentage increase sought	12%	12%	9%	7%	8%	11%
Average Cost of supply on proposed ARR - Rs per unit	5.43	4.90	4.45	5.05	4.41	5.21

The proposed and approved Annual Revenue Requirement (ARR) for FY13 is as under:

ESCOM	FY13	
	Proposed	Approved
BESCOM	14394.96	13025.31
MESCOM	1878.06	1828.43
CESC	2276.96	2403.91
HESCOM	4592.38	3949.99
GESCOM	2626.18	2700.14
<b>Total</b>	<b>25768.54</b>	<b>23907.78</b>



➤ **Transmission Tariff for KPTCL for FY13:**

KPTCL had proposed an ARR of Rs. 2880.82 Crs for FY13 inclusive of a gap of Rs. 613.99 Crs for FY11 & FY12. After detailed review of the proposal the Commission has approved an ARR of Rs.1918.77 Crs, which amounts to transmission tariff of Rs. 1,12,224/MW/Month. The same is included in the power purchase cost allowed for ESCOMs and is covered by the tariff revision approved for ESCOMs.

➤ **Salient Features of the Order:**

- a) There is a **reduction in tariff by 50 paise per unit** for LT Water supply installations. There is no change in tariff for HT water supply installations.
- b) An **increase in tariff by 10 paise per unit** is allowed for Domestic categories.
- c) An **increase in tariff by 20 paise per unit** is allowed for all categories other than BJ/KJ & IP sets and those mentioned under (a) & (b) above.
- d) **Green Tariff** introduced in the previous tariff order for HT Industries & HT Commercial Consumers at their option, to promote purchase of energy from Renewable Sources and to reduce carbon footprint is continued. Consumers opting for green tariff have to Pay Re. 1.00/unit over and above the normal tariff.

- e) **Time of the day tariff** is made mandatory from 1<sup>st</sup> September 2012 onwards for installations under HT2 (a) and HT2 (b) with contract demand of 500KVA and above.
- f) **Cross subsidy Surcharge** is reintroduced for consumers availing Open Access.
- g) The Commission has decided to introduce **Fuel Cost Adjustment Charges** to be computed on a quarterly basis from the current year. A separate order in the matter will be issued duly specifying the methodology, formula and the manner of collecting FAC.
- h) A **new HT tariff category** namely **HT5** is introduced for consumers availing temporary supply with a demand of 67HP or more.
- i) The existing Tariff categories HT4 (a) and HT4 (b) for Residential purpose in urban and rural areas respectively are **merged as HT4**, which is applicable to all areas of the ESCOMs.
- j) **Solar rebate** is continued at Rs.50 per month to encourage use of solar water heaters by domestic consumers. This will also give relief to ESCOMs during morning peak hour and save electricity.

- k) To encourage Solar Power generation and its use through the grid, **no wheeling charges** are payable for wheeling of solar power within the State grid.
- l) The Benefit of Seasonal Industries to Cold Storage plants used in Fisheries in Coastal areas is continued.

**Pl. Note:**

**The detailed category wise revised tariff schedule is enclosed and the full text of the Tariff Orders of KPTCL and ESCOMs may be seen on the Commission's website [www.kerc.org](http://www.kerc.org)**

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