

CHAPTER-6

NEW PROPOSALS

1. Separate Tariff for 1 MW and above Consumers:

BACK GROUND:

The Electricity Act 2003 envisaged competition in retail supply of electricity by introducing the concept of 'Open access' in phased manner. As per the definition of the 'Open Access' means the non-discriminatory provisions for use of transmission line or distribution system or associated facilities with such line or system any licensee or consumer or a person engaged in generation in accordance with the regulations specified by the Appropriate Commission.

Subsequently the State Commission notified Open Access Regulations which facilitated procurement of power through the Open Access route.

The introduction has been largely successful in promoting competition with the distribution licensees by providing consumers access to alternate sources of power. However, a number of issues have come up in the operationalization of Open Access impacting Distribution Licensee and non-open access retail supply consumers of distribution licenses.

Issues:

- 1) **Frequent shifting of Open Access Consumers: BESCOM unable to manage power procurement efficiently due to frequency of shifting of Open access consumers between BESCOM and other source of power**
- 2) **Cross Subsidy Surcharge: Cross subsidy surcharged calculated by the State Commission and its recovery is insufficient to recover the entire loss of cross subsidy on account of consumers procuring power through the Open Access route**
 - a. **Stand-By charges: Majority of power procurement by BESCOM is long term in nature. Stranded assets due to consumers procuring power through Open Access have not been recovered appropriately. This has led to non recovery of power procurement expenses incurred by BESCOM**
- 3) **Tariff design. Although two part tariff has been introduced by the Commission, the structuring of fixed and variable components of tariff is not reflective of the actual proportion of fixed and variable cost liability of BESCOM.**

National Tariff Policy 2016 in paragraph 5.10 and Paragraph 8.3 specifies that "5.10 Consumer interest is best served in ensuring viability and sustainability of the entire value chain viz., generation, transmission and distribution of electricity, while at the same time facilitating power supply at reasonable rate to consumers. The financial turnaround /restructuring plans are approved by the Appropriate Government from time to time to achieve this objective. The Appropriate Government as well as the Appropriate Commission while implementing such plans

shall ensure viability of the generation, transmission and distribution in terms of recovery of all prudent cost.”

‘8.3 Tariff design: In terms of Section 61(g) of the Act, the Appropriate Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity’

In this back ground, BESCOM submits to the Commission that Fixed/demand charge to all the consumers is to be designed in phase manner over a period of three to five years to recover 75% to 100% of fixed costs in nature to BESCOM ie., capacity charges payable to generators, transmission charges to transmission company and depreciation, interest on long term loans, and return on equity of BESCOM.

Data:

Table-1

Breakup of Fixed and variable charges approved and actual as per accounts for FY-17 is tabulated below:

Particulars	Approved			Actual		
	Fixed	Variable	Total	Fixed	Variable	Total
Generation	2547.69	8456.5	11004.19	2674.89	8719.65	11394.54
Transmission	1950		1950	2278.44		2278.44
Distribution	2229.49		2229.49	2614.01		2614.01
Regulatory asset	581.29		581.29	649.7		649.7
Total	7308.47	8456.5	15764.97	8217.04	8719.65	16936.69
Sales in Mu			26472.74			26239.24
Composition per unit cost Rs/unit	2.76	3.19	5.95	3.13	3.32	6.45
	46%	54%	100%	49%	51%	100%

Table-2

Breakup of fixed/demand charges and Energy charges received for FY-17 is tabulated below:

Particulars	FY-17		
	Fixed/Demand charges	Energy charges	Total
LT-Consumers	925.80	7703.43	8629.23
HT-Consumers	713.08	5900.46	6613.54
Misc	618.39		618.39
Total	2257.27	13603.89	15861.16
	14.23%	85.76%	100%

Table-3

Table-4

Breakup of Sales approved and actuals for FY-17 is tabulated

Sl No	Category	Approved			Actuals		
		Sales in MU	Revenue Rs. crores	Average Realization in Rs. Per Kw h	Sales in MU	Revenue Rs. Crores	Average Realization in Rs. Per Kw h
1	LT	11291.18	6712.41	5.94	10722.39	6584.7	6.14
2	IP	6379.18	1927.41	3.02	7285.47	2044.53	2.81
2	HT	8802.38	6763.56	7.68	8231.38	6613.54	8.03
3	Misc		361.6	0.14		618.39	0.24
	Total	26472.74	15764.98	5.96	26239.24	15861.16	6.04

Table-5

Break up of HT consumers having more than 1 MW and open access consumption:

No. of Consumers	Open Access sales in MU
977	1358.76

Analysis:

It could be seen from the table-1, Fixed cost component is 46% of the total expenditure where as actual fixed cost is 49%

As per table 2 and 3, fixed/demand charges demanded is 13% in FY-17 and is about 19% for FY-18 (as on Sep'17).

Combined reading of table 4 and 5, sales under HT in FY-17 is not achieved due to open access.

Discussion:**HT – 1 MW and above consumers:**

As per KERC (Open Access) regulations, 2004 -open access was allowed to all HT installations with Contract Demand of 1 MW and above from 1st April 2008. **There are 977 consumers are in BESCO having contract demand of 1 MW and above, Now**

about 175 to 200 consumers are participating in open access. Due to increase in tariff to the embedded consumers of BESCO, all these 977 consumers are prone for open access.

Constraints confronted by BESCO

Short term open access consumers procure energy from collective market or power exchanges, there is high degree of uncertainty in their power procurement from Power Exchange and BESCO. Considerable variation in schedule and actual energy drawl is observed on regular basis for short term open access consumers. Also, based on the market clearing price determined in exchanges for each block, the energy drawal of open access consumer fluctuates significantly within a day. Despite of such uneven drawl throughout the day, the Open Access consumers continue to enjoy the freedom of rescheduling their energy drawal on the basis of their daily load requirement and the price at which energy is available in the power exchange markets. Such variations in energy drawal makes it difficult for BESCO to forecast time block wise energy requirement for the following day

Open access consumers are allowed to re-schedule their energy drawal based on the daily energy requirement, DISCOMs irrespective of the drawal pattern of the open access consumers, under universal service obligation is required to keep its entire generation and transmission capacity available for the consumers. In such a scenario forecasting demand for the ensuing day becomes challenging for the DISCOMs

Financial Impact

Open Access consumers pay the Demand charges as per tariff structure approved by KERC and Cross subsidy surcharge as per Commission approved rates.

The structured demand charges and variable charges of tariff is not reflective of the actual proportion of fixed and variable cost liability of BESCO. This has resulted in in building the fixed component in energy charges (variable). Any loss of sales, resulted in loss of fixed component in the energy charges. Hence the proposal:

Proposal:

In the present tariff design there is huge gap between the fixed/demand cost recovered versus fixed cost incurred by the BESCO. This gap is to be narrow down

progressively, It is proposed to increase the fixed /demand charges to the consumers duly reducing the energy charges. Here BESCOM wants tariff neutralization and doesn't want any benefit out of the proposed change in the tariff structure.

Initially, consumers of 1 MW and above are now participating for open access and it causes non-recovery of fixed cost from these consumers. Hence, it is proposed to recover 100% fixed expenditure from these consumers duly reducing the energy charges. Because these consumers are participating in the open market and reaping the benefit, differential tariff as urban and rural may not be correct, hence proposed to have single tariff as Industrial, commercial and Hospitals and educational institutions.

For the purpose of computation, the existing approved rates for open access sales of FY-17 is considered as base figures data to bifurcate the demand and energy charges.

Calculations are as under: Proposed Demand charges per KVA per month.

Existing based on FY-17 DATA

Tariff	No. of Consumers	Load in KVA	Consumption in MU	Rate		Demand charges	Energy Charges	Total	ARR
HT1	203	75815.08	681.56	180/KVA		12.28	306.60	318.88	4.68
HT2A	6303	2769496	4456.17	180/KVA	170/KVA	435.95	2922.52	3358.47	7.54
HT2B	5709	1312103	2619.62	200/KVA	190/KVA	235.18	2318.15	2553.33	9.75
HT2C	606	101625	270.05		170/KVA	15.55	193.66	209.21	7.75
HT4	223	64356	106.41	100/KVA		5.79	63.38	69.17	6.50
HT3	38	35816	15.07				5.23	5.23	3.47
HT5	759	30553	82.49			7.7	91.54	99.24	12.0
Total	13841	4389764	8231.37	0.00	0.00	712.45	5901.08	6613.53	
% of Recovery of Fixed and Energy components						11%	89%	100%	

Tabulation of expected proposition of fixed charges (49%) and Energy charges (51%) as per actual expenditure incurred

Tariff	No. of Consumers	Load in KVA	Consumption in MU	Demand charges	Energy Charges	Total	ARR	Proposed	
								Per KVA	Per unit
HT1	203	75815.1	681.56	156.25	162.63	318.88	4.68	1717.46	2.39
HT2A	6303	2769496	4456.17	1645.65	1712.82	3358.47	7.54	495.17	3.84
HT2B	5709	1312103	2619.62	1251.13	1302.20	2553.33	9.75	794.61	4.97
HT2C	606	101625	270.05	102.51	106.70	209.21	7.75	840.61	3.95
HT4	223	64356	106.41	33.89	35.28	69.17	6.50	438.88	3.32
HT3	38	35816	15.07	2.56	2.67	5.23	3.47	59.63	1.77
HT5	759	30553	82.49	48.63	50.61	99.24	12.03	1326.32	6.14
				0	0				
Total	13841	4389764	8231.37	3240.63	3372.90	6613.53			
% of Recovery of Fixed and Energy componets				49%	51%	100%			

Hence, it is proposed to revised the demand charges for the consumers of 1 MW and above consumers to avoid the loss of fixed charges, if the consumers opt for open access.

Tariff	No. of Consumers	Load in KVA	Consumption in MU	Demand charges	Energy Charges	Total	ARR	Proposed	
								Per KVA	Per unit
HT2A	6303	2769496	4456.17	1645.65	1712.82	3358.47	7.54	495.17	3.84
HT2B	5709	1312103	2619.62	1251.13	1302.20	2553.33	9.75	794.61	4.97
HT2C	606	101625	270.05	102.51	106.70	209.21	7.75	840.61	3.95

The above calculations are made based on the FY-17 actual results and computed with out altering the ARR of the respective tariff . ie., increase in demand charges by reducing the energy charges by maintaining tariff neutralization

2. category Increase in Billing demand for HT

Presently in BESCOM, billing demand during unrestricted period shall be the maximum demand recorded during the month or 75% of the CD, whichever is higher.

The billing demand in various States of India are depicted below:

Andhra Pradesh and Telangana

Billing demand shall be maximum demand recorded during the month or 80% of contracted demand whichever is higher except HT4 (i.e. Township and Residential Colonies, for this category the billing demand is Actual Demand Recorded)

Gujarat

The Billing Demand will be taken as under:

- i. The Maximum Demand recorded during the month OR
- ii. 85% of the Contract Demand OR
- iii. 100 KW Whichever is the highest.

Maharashtra

Billing Demand for all HT categories :

the Monthly Billing Demand will be the higher of the following:

- i. Actual Maximum Demand recorded in the month during 0600 hours to 2200 hours
- ii. 75% of the highest Billing Demand recorded during the preceding eleven months
- iii. 50% of the Contract Demand

Hence, it is proposed to increase the billing demand to **85% of the Contract Demand** or Maximum Demand Recorded whichever is higher..

Additional charges for maximum demand exceeding the contracted demand

In case, in any month the Recorded Maximum Demand (RMD) of the consumer exceeds

his Contracted Demand with the Licensee, the consumer shall pay the following charges on excess demand recorded and on the entire energy consumed.

RMD over CMD	Demand charges on excess demand	Energy charges on full energy
100 to 120%	2 times of normal charge	Normal
Above 120% and up to 200%	2 times of normal charge	1.15 times of normal charge
More than 200%	2 times of normal charge	1.20 times of normal charge

Reconnection Charges

i)	Low	
Tension Services.		
Overhead Services		`100
U.G. Services		`200
ii)	High	
Tension Services		
11 kV		`1000
66 kV		`2000
132 kV & Above		`3000

New Tariff Proposal for BMRCL

Karnataka Electricity Regulatory Commission in its Tariff Order 2017, dated 11.04.2017 had approved tariff for BMRCL, which is reiterated.

Demand charges	Rs.210/kVA of billing demand/month
Energy Charges	600 paise per unit for all the units

Historically BESCOM has been adopting a common Two-part Tariff for Railway Traction, BMRCL and other HT Industries, even though BMRCL avails power supply directly from the 66 kV Grid, whilst other HT Industries avail power supply at various voltages from 11 kV to 220 kV through KPTCL's Transmission network.

The tariff for BMRCL is fixed at slightly higher than the Average Cost of Supply. The BMRCL is not a commercial organization having profit motive.

Reduced tariff for BMRCL supply can be considered since energy is consumed for Railway Traction at the Grid voltage of 66 kV and at 66 kV both energy to BESCOM is much less compared to supplying energy at 11 kV.

For FY-18, the average cost of supply for BESCOM is Rs.6.48/unit, the rate realized from BMRCL is Rs.8.10/- unit.

The tariff rates of Delhi metro, Mumbai metro and West Bengal metro are compared with BESCOM metro rates. The Average rate of realization for each of the State metros are calculated considering 100units per kVA. The below table depicts the details.

Tariff										
	Type of installation	Sanctioned load	Estimated units	Fixed charges	Energy charges	Total	ARR (Rs/unit)		EC	FC
BESCOM	Railway traction and effluent treatment	Per KVA	100	210	620	830	8.3		6.20	210
	BMRCL	Per KVA	100	210	600	810	8.1		6.00	210
Mumbai	TATA Power	Per KVA	100	240	722	962	9.62		7.22	240
Delhi	TATA Power	Per KVA	100	130	610	740	7.4		6.10	130
West Bengal	WBSEDCL	Per KVA	100	105	688	793	7.93		6.88	105

Proposal for special tariff to BMRCL considering only transmission loss:

If only transmission loss is considered for computing the ACS then the rate for BMRCL works out to Rs.7.09/unit. The details are shown in the table below:

Expenditure and ACS	FY18		
	As Revised & Approved	Rs/unit	Rs/unit
Particulars			

Sales approved in MU	26109.16		29839.04
	(Sales)		(PP@I.F)
Expenditure in Rs Crs			
Power Purchase Cost	12265.18	4.70	4.11
Transmission charges of KPTCL	1347.8	0.52	0.45
SLDC Charges	11.33	0.00	0.00
Power Purchase Cost including cost of transmission		0.00	0.00
	13624.31	5.22	4.57
Employee Cost		0	
Repairs & Maintenance		0	
Admin & General Expenses		0	
Total O&M Expenses	1486.6	0.57	0.50
Depreciation	373.76	0.14	0.13
Interest & Finance charges			
Interest on Loans	354.81	0.14	0.12
Interest on Working capital	311.72	0.12	0.10
Interest on belated payment on PP Cost			
Interest on consumer deposits	258.08	0.10	0.09
Other Interest & Finance charges	10.19		
Less interest & other expenses capitalised	82	0.03	0.03
Total Interest & Finance charges	852.8	0.33	0.29
Other Debits	0		
Net Prior Period Debit/Credit	0		
Return on Equity	76.7	0.03	0.03
Funds towards Consumer Relations/Consumer Education			
Other Income	192.84	0.07	0.06
Provision for contribution to P&G Trust (GoK Liability)			
Disallowance of Interest and Depreciation on imprudent investments in FY16	0.56		
ARR	16221.77	6.21	5.44
Deficit for the year	692.42	0.27	0.23
ACS		6.48	5.67
ARR		8.10	7.09

Details for proposing reduction of tariff to BMRCL:

- i. Industrial loads are confined to their premises and concentrated and as such the load factor of the industries are characteristically high.
- ii. On the other hand the load on the BMRCL Sub-stations is constituted only by the moving trains. Each 66kV installation of BMRCL feeds to a distance of approximately

40kms (20 km on either side). Every train on its journey from the originating station to the destination station passes through several Traction Sub-stations enroute and “Demand” is registered for the same train at every sub-station throughout its route. Hence, the load factor of the Railway Traction Sub-stations is characteristically low.

iii. Hence in the “Two part Tariff” regime, for the same tariff the average cost per unit for BMRCL becomes much higher than that for the industries.

Approval for allowing the expenditure incurred on promotion of payments through Cards and Digital Means

The Under Secretary(IT), Ministry of Power, New Delhi vide letter dtd: 07.11.2016 had quoted the meeting held under the Chairmanship of Secretary (DIPAM), it was decided that the Ministry of Power will persuade States/DISCOMs to absorb MDR/Convenience fee on digital payment, as the same stands factored in the tariff structure.

In this context the following is submitted for kind perusal and consideration by the Hon’ble Commission:

1. Presently, the transaction charges paid by BESCO is accounted as “Other Finance Cost” and the same is allowed in the tariff for Bangalore One/Karnataka One/ Mobile One and Post office. However the charges for card payment made through other digital mode is borne by the consumer.
2. The following various Digital modes of payment options are made available by BESCO:
 - a) E-payment through Debit card, Credit card and Net Banking through BESCO website, bank website, Bangalore-one website
 - b) ECS/NACH
 - c) Mobile-apps (Mobile One, Paytm, Pay U)
 - d) NEFT & RTGS for HT Consumers
 - e) Card swiping machines (Point of Sale machines). Provision for the same has also been made in the ATP counters and action has been taken for its live operations.
3.
 - a) HT Consumers are paying through NEFT/RTGS, the charges for these type of payments depends upon the amount paid at bank’s slab rates and the charges varies from bank to bank which are borne by the consumers as of now.
 - b) Approximately 10,000 HT installations
out of total 12,106 installations if considered to have an average bill amount of Rs.2,00,000/- and if payments are made through RTGS/NEFT, then the transaction charges applicable are listed below as per which the approximate expenditure to BESCO will works out to an extent of Rs 6,90,000/- per month.

Electronic Funds Transfer System	Value Band	Service Charges exclusive of applicable tax. (in Rs.)

RTGS	Above Rs 2.00 Lakhs and upto Rs 5.00 Lakhs	34.00
	Above Rs 5.00 Lakhs	63.00
NEFT	Upto Rs 10,000/-	3.00
	Above Rs 10,000/- and upto Rs 1.00 lakh	6.00
	Above Rs 1.00 Lakh and upto Rs 2.00 lakhs	17.00
	Above Rs 2.00 lakhs	29.00

c) Added to this, if HT consumers are holding current accounts and if payments are made through Cards as per the limit fixed by the Banks based on their transactions & credit limit, such limit too varies from Bank to Bank. In this scenario if they pay electricity bill of Rs 1,00,000/- through Debit and Credit cards, then the transaction charges of Rs 750/- & Rs1000/- respectively also needs to be borne by BESCO.

Payment Banks & Non-Banks	Wallet charges (Excluding Taxes)	Net Banking (Excluding Taxes)	Debit Card (Excluding Taxes)		Credit card (Excluding Taxes)	Amex Card
Bill desk	-	Rs.3.75	Rs.0.00 to Rs. 1,000.00	0.25% of the transaction amount	0.85% of the transaction amount	1% of the transaction amount
			Rs.1,001.00 to Rs. 2,000.00	0.50% of the transaction amount		
			Rs.2,001.00 and above	0.90% of the transaction amount		
IDBI	-	-	Rs.0.00 to Rs. 1,000.00	0.25% of the transaction amount	0.85% of the transaction amount	-
			Rs.1,001.00 to Rs. 2,000.00	0.50% of the transaction amount		
			Rs.2,001.00 and above	1.00% of the transaction amount		
Vijay Bank	-	Rs.2.50 (for Vijaya bank a/c holders)	Rs.0.00 to Rs. 1,000.00	0.25% of the transaction amount	0.75% of the transaction amount	
		Rs.4.00 (for SBI + Associates/I CICI/AXIS/H DFC)	Rs.1,001.00 to Rs. 2,000.00	0.50% of the transaction amount		

		Rs. 3.00 (for remaining banks)	Rs.2,001.00 and above	0.90% of the transaction amount		
AXIS Bank	-	Rs.4.00	Rs.0.00 to Rs. 1,000.00	0.25% of the transaction amount	0.75% of the transaction amount	
			Rs.1,001.00 to Rs. 2,000.00	0.50% of the transaction amount		
			Rs.2,001.00 and above	1.00% of the transaction amount		
Pay Tm	1.20% of the transaction amount.	Rs.3.75	Rs.0.00 to upto Rs.2000	0.75% of the transaction amount	0.95% of the transaction amount	
			Rs.2,001.00 and above	0.95% of the transaction amount		
Bengaluru One	-	Rs.5.00 per transaction	As Per RBI		1% of the transaction amount	
Karnataka One (Davangere and Tumkur)	-	Rs.5.00 per transaction	As Per RBI		1% of the transaction amount	
Mobile One	-	Rs.5.00	0.75% of the transaction amount		1% of the transaction amount	
Pay U Mobile App	-	Rs.5.00	0.75% of the transaction amount		1% of the transaction amount	0.90% of the transaction amount

- b) In the above explained scenario, if the HT consumers opt for RTGS/NEFT, Debit/Credit card payment modes other than On-Line payment through BESCO web site, transaction charges are more and needs to be borne by the Company and in turn it will have to be passed on through tariff as per GOI initiative and Tariff rates are to be hiked. Finally the increased rates shall have an impact on all the consumers.
- c) BESCO has already mandated to all HT consumers to pay through online. Hence the Company is praying with the Commission to Mandate On-Line Payment through BESCO web site OR Electronic Bill Payment by selecting Net-Banking mode. If it is through Net-banking the applicable transaction charges per transaction is Rs 5/- only.
- d) Further consumer paying through Bangalore One, Karnataka One, IMI (Mobile Governance) by Digital mode, as transaction charges are already being borne by BESCO

at the rate of Rs.3.50 + Tax, Rs.5.00 + Tax, Rs.2.85 +Tax respectively the MDR fees for these said transactions if has to be borne by BESCOM shall be an additional burden to the utility. Hence this issue needs to be considered by the Hon'ble Commission.

- e) The details of expenditure to be incurred by BESCOM & the charges to be borne by BESCOM through various modes cited above are as follows:
- a. **Online:** Further in respect of charges to be absorbed in case of online payments an analysis has been made by BESCOM taking into consideration of the tariff, payment structure and if all the consumers pay the electricity bills DIGITALLY irrespective of the amount of payment, charges to be borne by BESCOM works out to approximately to Rs. 155.30 crores per annum and Rs. 12.94 crores per month (**Annexure 1**).
- b. **As per Board Resolution:** If the consumers who pay their electricity bills which are having a demand upto Rs. 2000/ and below and if BESCOM absorbs the service charges making it free to the consumers as per the decision of the Board of Directors of BESCOM, then the amount to be paid by BESCOM shall be Rs.27.83 crores per annum and Rs.2.32 crores per month (**Annexure 2**).
- c. **BBPs:** Further in respect of BBPS there are again charges stated by NPCI to be paid to BBPOU for ON-US and OFF-US transactions which has also been analyzed taking into consideration that if all the consumers Pay through BBPS the charges to be paid by the utilities (BESCOM) shall be approximately Rs.53.85 crores Per Annum and Rs.4.49 crores Month (**Annexure 3**).
- f) With an aim to discourage cash transactions, Government of India has approved withdrawal of surcharge, service charge and convenience fee on card and digital payments. This is an initiative to encourage the consumers to move from cash payment to cashless payment system.
- g) Since, mode of payment cannot be restricted to cashless alone, BESCOM can waive of MDR/Convenience fee for LT consumers to encourage them to pay through digital mode.
- h) Under these circumstances, the Hon'ble Commission is requested kindly to examine the matter holistically and allow the expenditure in this regard to be borne by BESCOM as per the directions of MOP, GOI and pass suitable orders in this matter.

Introduction of HT Incentive Scheme

BESCOM proposes Incentive Scheme for HT Consumers as one of its efforts to bring back HT Consumers to its grid. It will be a win –win situation for both BESCOM and the HT Consumers. A similar Scheme was implemented in the year 2003 also, where the consumption is over and above the average consumption for the preceding year was billed at the rate of first slab i.e., Rs. 3.80.

This scheme is also proposed on similar lines, where incentives would be given for consumption over and above the average consumption of the preceding year.

BESCOM through this incentive scheme is attempting to generate additional revenue from HT consumers with CD of 1MW and above by encouraging them to consume over and above the average 12 months consumption by offering a concessional tariff rate. In case the consumers get attracted to this scheme, HT sales will go up, which in-turn would help BESCOM to come closer to achieving the HT sales target approved by the Commission for the year. This will have a positive impact on the cross subsidy generation also, which in-turn could reduce the subsidy burden on State Government for the respective year/s.

a. Categories proposed for the scheme

Based on sales trend, ARR and present tariff rate, the following HT categories are proposed to be included in the scheme.

- i. HT2(a)i – Industrial Category in BBMP area.
- ii. HT2(a)ii- Industrial Category Non- BBMP area.
- iii. HT2(b)i – Commercial, BBMP area
- iv. HT2(b)ii- Commercial, Non BBMP area.
- v. HT2(c)ii- Private Educational Institutions and Private Hospitals.

b. How the scheme works (How Consumers and BESCOM are benefited from the scheme).

An incentive rate i.e., price/kwh is arrived at, for the consumption over and above the average consumption of preceding year. After considering various rate options and sales scenarios, BESCOM’s incentive rates proposed is as under. BESCOM under this scheme is proposing to offer a reduction in the second slab rate of respective category for consumption over and above the average consumption. Thus, for HT2(a)i slab, the incentive rate would be Rs 6.65 and for HT2(b)i, Rs 8.45. The table below shows the comparative rates.

Tariff	Slabs	Rates (Ps/unit)	Incentive Rates Proposed
HT2a(i)	0-1 lakh units	665	665
	above 1 lakh units	695	
HT2a(ii)	0-1 lakh units	660	660
	above 1 lakh units	680	
HT2b(i)	0-2 lakh units	845	845
	above 2 lakh units	855	
HT2b(ii)	0-2 lakh units	825	825
	above 2 lakh units	835	
HT2c(ii)	0-1 lakh units	740	740
	above 1 lakh units	780	

With these proposed incentive rates, the expected increase in sales and corresponding revenue is also worked out as shown in Annexure-1. In the option & scenario that is considered by BESCOM it is expected that once the incentive scheme is in force, the sales in these category increase ranges from **7.5% to 5.0%**,

which works out to be 179 MU per month, results in incremental revenue of Rs 38 Crores per month.

c. The other salient features and procedural aspects of the scheme are listed below.

- i. The scheme is applicable to all HT 2(a) (except railway traction, effluent treatment plants and BMRCL, HT2(b) (except railway traction and effluent treatment plants) and HT2(c)(ii) consumers in BESCOM. The benefit of the scheme shall be **extended to all eligible (exceeding 1st slab IN their respective tariff) consumers upon their request.**
- ii. The rate applicable **for eligible consumption under the scheme** is less than the second slab rate/kwh excluding tax as shown in the above table. **All other consumption shall be billed at the prevailing tariff rate applicable to the respective category of consumers**
- iii. Eligibility: The consumption over and above the base consumption fixed for a month is eligible for tariff under the scheme. The base period is defined as the past 12 month's consumption. The base consumption shall be the average of monthly-billed energy supplied by BESCOM during the base period. Energy consumed under special scheme if any, during the base period shall not be accounted for arriving at base consumption.
- iv. The base consumption shall be computed on the average of 12 months' consumption excluding wheeled energy for the period from Jan 2016 to December 2016.
- v. After opting this scheme, If there is a permanent increase in the contract demand in these installations, the base consumption shall be increased by 100 units per KVA of the additional CD availed by the industry on permanent basis.
- vi. For new industries serviced after January 2017, the criteria for these industries to be eligible for this special scheme shall be a minimum period of six months.
- vii. For new industries, which do not have 12 months' base consumption, the base consumption shall be computed on the actual consumption for the months in the base period plus the consumption computed at 100 per KVA per month for the remaining months of the base period.
- viii. BESCOM will have flexibility in fixing base consumption.
- ix. In order to avail the special scheme, 20% increase in contract demand shall be allowed to the availing consumers during the currency

of the scheme which is optional to the consumers. Penalty for exceeding maximum demand for the consumers availing the scheme thus would be more than 120% of the sanctioned contract demand. The minimum billing demand shall also be enhanced accordingly.

- x. The scheme will continue till the end of the financial year. However, BESCOM would endeavor to continue the scheme with the approval of KERC for the ensuing year also with necessary modifications to the rate structure based on the tariff rates approved by KERC for the ensuing year.

- xi. Consumer under the HT incentive scheme can avail other incentive in force.

2. Meeting the incremental Power Purchase requirement:

As BESCOM is expecting incremental sales after enforcement of this scheme, it should be ready to cater the additional demand. For catering this additional demand, BESCOM has to either buy extra power or manage with existing power by better load management. Buying of extra power is costlier affair and will nullify the benefits availed from the scheme. Hence BESCOM proposes to meet the incremental sales demand from HT consumers, after the introduction of the scheme, by better load management. KERC has approved 30879 MUs power procurement for the current financial year. In the first 3 months of the year the consumption is approximately 7600 MUs. BESCOM would endeavor to manage the incremental demand within the 23279 MUs of procurement available for the rest of the year. The Average Power Purchase cost of Rs.4.67/unit is considered for the additional energy to be procured.

3. Impact of scheme on BESCOM's future tariff:

BESCOM through this incentive scheme, is attempting to generate additional revenue from HT consumers by encouraging them to consume over and above the average 12 months consumption by offering a concessional tariff rate. In case the consumers get attracted to this scheme, HT sales may go up, which would in-turn help BESCOM to come closer to achieving the HT sales target approved by the Commission for the year. This will have a positive impact on the cross subsidy generation also, which in-turn could reduce the subsidy burden on State Government for the respective year/s.

As far as the MYT application for the next control period and the tariff application for the ensuing year is concerned, BESCOM would like to mention here that, it will have to take in to account the projected gap of the respective year/s in to account and propose for tariff increase/rationalization wherever necessary, as implementation of HT incentive scheme alone will not address all the financial issues of the Company. However, it to be stated that if this scheme is well received by the consumers, it could mitigate BESCOM from one burning issue i.e. improving HT sales and revenue.

However, the consumers cannot opt for more than one incentive during a billing period.

Hon'ble Commission is requested to consider and approve the above proposal.

Simplification of tariff:

The Simplification of tariff Committee was constituted vide Government Order No.EN70PSR2017, Dtd 04.09.2017, Hon'ble Director (Finance) was nominated as the chair person.

The Committee was formed to study tariff simplification across the ESCOMs. This simplification of tariff shall not impact the financials of the ESCOMs. The economically weaker section and the subsidized category are also safe guarded during the course of simplification of tariff. The electricity tariff becomes more efficient and transparent by reducing the number of categories of consumers, which should improve tariff collection and improve the health of distribution companies.

The detailed report was submitted to the Commission vide letter BESCO/BC-03/F-2/20178/90-98

The major points are:

- Merge both rural and urban consumers under one tariff as 24 hours supply is arranged to non-agricultural loads by implementing Niranthara Jyothi Yojana (NJY) in rural areas.
- Consumption wise segregation of its consumers in domestic category as a methodology of intra cross subsidization.
- Hospitals and Education institutions run by private/ aided or unaided institutions presently under LT2b tariff have potential to pay cross subsidy. Hence, these institutions may be included under Commercial Tariff.
- **Home Stay accommodation in Malnad and Coorg areas** presently in domestic tariff may be included **in LT3 tariff as** the activity is analogues to Commercial tariff
- LT 5 rural and urban consumers may be merged in view of NJY implementation.
- Billing cycle of LT7 tariff structure being 28 days is causing lot of inconvenience to public and the staff. Hence, billing cycle for LT7 may be in line with other categories for 30 days.

- IT Companies under IT/BT policy is costing on ESCOMs. They are also availing the other tariff incentives such as High Voltage rebate, Prompt payment incentive etc., and also getting energy at cheaper rates from IEX and Wheeling. Proposal to shift Software installations from HT2a category.
- Shifting of HT2c(i) to HT2a category and HT2©(ii) to HT2b category.
- kVAh billing may not be implemented as kWh is the active energy which is accounted. Further, the Input energy is also billed on the basis of kWh.

It is prayed before the Commission to consider the new proposed tariff structure by ESCOMs.

Cross subsidy Surcharge & Wheeling- Solar:

The Cross Subsidy Surcharge calculated by KERC and recovered from Open Access consumers is often insufficient to recover the entire loss of cross subsidy. Added to this, no cross subsidy surcharge is applicable to open access/wheeling transactions from solar energy to encourage renewable energy.

Further, Renewable Purchase Obligation targets are also fixed to ESCOMs and other installations to encourage solar energy.

Solar generation has increased significantly since last year, it is prayed before the Hon'ble Commission to levy CSS/wheeling transactions to solar energy also.

Tariff for Electric Vehicle Charging Stations:

Government of India and NITI Aayog working on a policy for promotion of e-vehicles, there are going to be huge initiatives to encourage and promote e- mobility in the future.

Charging stations are critical to the mass adoption of electric vehicles, and given the Government's commitment to encouraging electric and hybrid vehicles, various companies are stepping forward.

As per the prevailing tariff structure, battery charging units are being billed under commercial tariff.

In line with Karnataka State Electric Vehicle & Energy Storage Policy 2017, BESCOM proposes to have a separate tariff under both HT and LT category with Time of Day tariff.