

HUKERI RECS

**Preliminary Observations on APR of FY13 and Revision of ERC &
Tariff application for FY15**

1. General Observations:

HUKERI has filed its application for APR of FY13 without audited accounts for FY13. The audited accounts needs to be furnished for Annual Performance Review for FY13. Also, HUKERI has to furnish half yearly accounts for FY14.

HUKERI has mentioned (-) Rs.200.25 lakhs as additional subsidy receivable in Format A2. The same shall be explained.

HUKERI needs to clarify whether any subsidy of the past years has been accounted during FY13. If so details shall be furnished with explanation. Also, the details of the quantum of energy supplied and the subsidy claimed from GoK for FY13 in respect of BJ/KJ and IP Sets shall be furnished.

2. Retail Sales:

a) Annual Performance Review for FY-13

The Commission in its Tariff order dated 3rd October 2012 had approved total sales to various consumer categories at 205.07MUs for HRECS as against HRECSs proposal of 207.23 MUs. The Actual sales of HRECS as per the current filing are 218.85 MU indicating an increased sales to the extent of 13.78 MUs with respect to the approved sales.

It is noted that, as against approved sales of 55.58 MUs to categories other than IP sets, the actual sales achieved by HRECS is 53.84 MUs, resulting in the reduction of sales to these categories by 1.74 MUs. On the other hand the sales to IP category have increased by 15.52 MUs as against the approved sales 149.49 MUs to this category.

The Commission notes that the increased sales in HRECS is mainly due to increase in IP set consumption by about 10% than that was approved.

b) Revised Estimated Sales Forecast for FY 15

HRECS in their filing has furnished the following revised sales for FY-15

Category	Comparison of approved and revised sales for FY-15		Comparison of approved and revised No. of installation for FY-15	
	Approved Lakh units	Revised Lakh units	Approved No. of Installation	Revised No. of Installation
LT-2a	239.75	209.94	71710	71458
LT-2b	1.84	1.27	81	85
LT-3	70.54	49.24	5247	5372
LT-4 (b)	0.54	0.54	9	9
LT-4 (c)	0.09	0.09	2	2
LT-5	52.51	45.12	2032	2129
LT-6	58.94	53.32	585	572
LT-6	28.08	19.99	376	687
LT-7	1.01	1.03	81	41
HT-1	45.86	43.95	3	5
HT-2 (a)	106.83	105.22	6	7
HT-2 (b)	11.14	5.71	8	5
HT2C		3.76		3
HT-3(a)& (b)	24.90	19.21	4	4
BJ/KJ	19.90	1.99	15311	14811
IP	1759.79	2085.69	24117	24757
Total	2421.71	2654.66	119571	119947

HRECS has stated that it has arrived at the above projections by considering one year growth rate of FY-14 over FY-13.

The Commission is of the view that considering only one year growth for estimating sales, without looking into the past trends is not correct. . Based on the information available the CAGRs for the period FY-10 to FY-12 and for the period FY10- to FY-13 both for no. of installations and the energy sales is worked out and compared with the growth rates proposed by HRECS which is discussed below:

i) No. of installations

1. The table indicating the growth rates for the no. of installations excluding BJ/KJ and IP sets is furnished below:

Category	Percentage Growth Rates			
	2009-10 to 2011-12 CAGR	2009-10 to 2012-13 CAGR	Growth in 2013 over 2012	Growth rate proposed by HRECS
LT-2a	2.4	2.4	2.4	2.4
LT-2b	10.5	10.8	11.5	11.8
LT-3	1.1	1.4	2.0	2.0
LT-5	5.1	5.6	6.5	6.6
LT-6	1.5	1.4	1.3	1.2
LT-6	2.9	13.8	39.4	39.4
LT-7	-17.2	-37.0	-63.6	2.5
HT-1	0	10.06	33.3	0
HT-2 (a)	0	6.27	20.0	16.7
HT-2 (b)	9.5	11.87	16.7	0
HT2C	0	0		0
HT-3(a)& (b)	0	0		0

2. The growth rate estimated by HRECS for the categories of LT commercial , LT industries, LT water supply and HT industries is on the higher side. Further it is observed that the growth rate considered for HT commercial is lower. HRECS shall furnish the reasons for the above.

ii) Energy Sales

1. The table indicating the growth rates for sales excluding BJ/KJ and IP sets is furnished below:

Category	% Growth Rates			
	2008-09 to 2011-12 CAGR	2008-09 to 2012-13 CAGR	Growth in 2013 over 2012	Growth rate proposed by HRECS
LT-2a	6.1	5.3	3.0	1.6
LT-2b	20.7	12.0	-10.4	-4.2
LT-3	14.9	13.1	7.9	2.1
LT-5	8.5	6.4	0.6	0.6

LT-6	6.8	5.6	2.0	2.0
LT-6	2.4	1.1	-2.8	-2.8
LT-7	-16.9	22.6	294.4	1.0
HT-1	2.8	2.6	2.0	2.0
HT-2 (a)	8.7	12.6	25.1	11.2
HT-2 (b)	8.9	14.7	34.3	-22.0
HT2C				
HT-3(a)& (b)	5.7	2.4	-7.1	-7.1

2. It is observed that growth rates considered by the HRECS are lower for LT domestic, LT commercial, LT Industries, LT water Supply, LT public lighting and HT commercial. HRECS shall furnish the reasons for the above.

3. It is observed that in LT 2(b)(ii), LT-6 public lighting even though the number of installations is increasing the sales is decreasing. In case of LT 4 (b) and 4 (c), even though the no. of installations is retained at FY11 level, the sales is increasing. In case of HT 1, even though the no. of installation for FY 15 retained at FY14 level, the sales in FY15 has been increased. It is noted that in FY13 the sales to HT 2(a) category has abnormally increased. Further in HT 2 (b) category even though there are seven installations at the end of FY13 the same has been reduced to five in FY14 and FY15 and the sales is also reduced. Even though the no. of installations is retained at FY11 level, the sales to HT 3 (a) category is decreasing.. The reasons for the above shall be explained.

4. Regarding the no. of installations under BJ/KJ category, HRECS shall intimate as to whether there is any target specified by the GoK. HRECS shall also furnish the breakup of BJ/KJ Installations in the following format for FY-13(Actuals), FY-14(Actuals upto end of Nov and estimates for the remaining period indication the break up)and FY-15 (Estimate):

Particulars	No. of Installations	Consumption in MU
Installations Consuming less than 18 Units		
Installations consuming more than 18 units and build under LT 2a		

Even though the no. of B/JKJ installations in FY 13 is only 533, HRECS has estimated 14811 installations for FY 14 and FY 15. The reasons for such huge increase in BJ/KJ installations shall be furnished.

5. To validate the sales, category wise information in the following format shall be furnished:

a. No. of Installations

Category	2011-12 Actuals		2012-13 Actuals		2013-14	
	As on 30 th Nov 2011	As on 31 st March 2012	As on 30 th Nov 2012	As on 31 st March 2013	As on 30 th Nov 2013 (actuals)	As on 31 st March 2014 (Estimate)
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6						
LT-6						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)&						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP)						
BJ/KJ						
IP						
Sub Total (BJ/KJ and IP)						
Grand Total						

b. Energy Sales

	2011-12 Actuals		2012-13 Actuals		2013-14	
Category	1 st April 2011 to 30 th Nov 2011 (cumulative)	1 st Dec 2011 to 31 st March 2012 (cumulative)	1 st April 2012 to 30 th Nov 2012 (cumulative)	1 st Dec 2012 to 31 st March 2013 (cumulative)	1 st April 2013 to 30 th Nov 2013 (cumulative actuals)	1 st Dec 2013 to 31 st March 2014 (cumulative Estimate)
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6						
LT-6						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)&						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP)						
BJ/KJ						
IP						
Sub Total (BJ/KJ and IP)						
Grand Total						

3. Sales to IP sets

As per the monthly reports received in the Commission for FY13, the total consumption reported is 164.658 MU. But, as per Tariff filing, Hukeri has indicated a consumption of 165.01 MU. Thus, there is a difference of 0.352 MU in consumption between the filing data and the monthly reports. The reasons for the difference in consumption for FY13 need to be furnished.

In the Tariff Order dated 20th June 2013, the Commission has approved a specific consumption of **7422** units / IP / annum for FY14 to FY16. Therefore, Hukeri has to revise IP Set consumption for FY14 (including the remaining period of FY14) and FY15 based on the Commission's approved specific consumption of **7422** units / IP / annum.

4. Wheeling charge and cross subsidy surcharge:

HRECS shall furnish the proposals for wheeling charges [including RE sources] and cross subsidy surcharge with working details as required under MYT regulations. Banking charges for wind, Minihydel and Solar plants shall also be furnished.-

5. Power Purchase:

i) Power Purchase for FY15:

HUKERI RECs has indicated power purchase price at Rs.3.33 / unit as against the HESCOM proposal of buying power at Rs.2.8686 /unit. The same shall be explained.

6. Distribution Losses:

Hukeri RECs has achieved distribution losses of 14.90% as against an approved loss of 14.00% for FY13. However, Hukeri RECS has projected distribution losses of 15.15% for FY15. The Commission in its MYT order dated 20th June 2013 had approved a distribution loss of 14.50% for FY15. Considering the present level of

performance and the actual distribution loss of 14.90% in FY13, and the proposed capex for FY14 & FY15, Hukeri RECS has to revise its distribution losses for FY15 to atleast 14.50%.

7. Renewable Purchase Obligation:

Details of RPO met [both solar and non-solar] in FY13 shall be furnished. The RE sources shall include purchase from generators having PPA at preferential tariff and also RE purchased under short-term and section 11. It shall exclude energy purchased under APCC and energy purchased for the purpose of green tariff. Details shall be furnished.

Further, action plan for meeting both solar and non-solar RPO compliance in FY14 and FY15 shall be furnished.

8. Capital Investment for FY15:

The Commission in its tariff order dated 20th June 2013 had approved Capital Investment plan of Rs.588.49 lakhs for FY15 and an amount of Rs.1795.00 lakhs for taking up Niranthara Jyothi Yojana. However in the present filing, HUKERI has projected a revised capex of Rs.594.46 lakhs only. The works to be carried out under NJY is not included in the capex programme. It is also seen that, Hukeri RECS has projected funding for NJY schemes amounting to Rs.1100.00 lakhs in Format D9. Hukeri RECs shall explain the correct figures to be reckoned.

In the Balance Sheet Hukeri RECs has shown an amount of Rs.629.86 lakhs as advances to RGGVY contractors and similarly Rs.948.54 lakhs is shown as advances to NJY contractors. Correspondingly the same is not recognized either in the work in progress or capital assets. The same shall be explained.