

CHAPTER-4 ANNUAL PERFORMANCE REVIEW FOR FY-17

4.1 Based on the Annual Audited Accounts, MESCOM is proposing here below the Annual Performance Review for the financial year FY-17, for kind consideration of the Hon'ble Commission.

4.2 Annual Performance Review for the financial year FY-17:

The operating and financial performance of the Company in FY-17 is detailed in the foregoing paragraphs.

4.2.1 Operating Performance:

A. Energy Sales:

Category wise actual energy sales in FY-17 as against the energy sales approved in Tariff Order-2016 are as below;

Category	FY-16 MU	FY-17 MU		% incr./Dec. w.r.t. FY-16 Actuals	% Achievement w.r.t. Apprd. Quantum
	Actuals	As apprd. in T.O. 2016	Actuals		
LT-1:> 18 Units	13.78	14.59	13.93	1.09%	-4.52%
LT-1:=< 18 Units	27.86	-	27.03	-2.98%	-
LT-2a	1264.70	1384.25	1292.24	2.18%	-6.65%
LT-2b	13.68	12.94	13.82	1.02%	6.80%
LT-3	329.87	341.71	342.31	3.78%	0.18%
LT-4a	1197.43	1217.69	1628.06	35.96%	33.70%
LT-4b&c	7.32	5.70	9.56	30.60%	67.72%
LT-5	135.47	135.88	136.78	0.97%	0.66%
LT-6(W/s)	111.93	118.39	120.53	7.68%	1.81%
LT-6(St. Lt.)	63.97	63.10	69.38	8.46%	9.95%
LT-7	19.63	19.12	19.40	-1.17%	1.46%
LT-Total	3185.64	3313.37	3673.04	15.30%	10.86%
HT-1	85.01	87.38	86.42	1.66%	-1.10%
HT-2a	586.41	805.52	548.29	-6.50%	-31.93%
HT-2b	180.07	168.53	186.06	3.33%	10.40%
HT-2c	155.05	180.37	154.85	-0.13%	-14.15%
HT-3a&b	8.61	23.23	16.03	86.18%	-30.99%
HT-4	16.90	15.56	18.82	11.36%	20.95%
HT-5	8.99	7.20	5.50	-38.82%	-23.61%
HT-Total	1041.04	1287.79	1015.97	-2.41%	-21.11%
MSEZ Supply	13.86	83.38	18.31	32.11%	-77.25%
KPCL Consumption	9.59	10.68	5.89	-38.58%	-
Wheeling Energy	59.04	-	81.21	37.55%	-
Grand Total	4309.17	4695.22	4794.42	11.26%	2.18%



As can be observed from the above table, MESCOM has reached the targeted approved sales in respect of LT category whereas in respect of HT category it is falling short of about 21% thereby the overall achievement is about 102%. However, comparing the sales of FY-16, there is overall increase of about 11% wherein the contribution of increase under LT category is about 15% and HT category is (-) 2.41%. The major variations in the energy sales across the categories, compared to the energy sales approved in the Tariff Order 2016, are analyzed below;

LT-2a: In this category, though the sales are below the targeted quantity approved in Tariff Order 2016, there is an increase of 2.18% with reference to the actual sales in FY-16.

HT-2a: In this category, there is a shortfall of consumption to an extent of 257.23 MU in FY-17 compared to the approved energy sales of 805.52 MU. In the Tariff Order 2017, Hon'ble Commission while reviewing the Annual Performance for FY-16 had taken note of the reduced energy sales under HT-2a category and had also based the energy sales estimates for FY-18 considering the analysis of open access impact. In the year FY-17 also the trend of reduction in energy sales continued under the category. As such, the data in respect of sales to HT-2a category along with the consumption from open access / wheeling for the period from 2014-15 to 2016-17 are furnished below;

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
2014-15	710.79	62.92	773.71
2015-16	600.27	120.12	720.39
2016-17	566.60	241.47	808.07

HT-2c: In this category the energy sales are below the target approved in Tariff Order 2016, however, when compared to FY-16 there is marginal.

HT-3a & b: In this category, though the sales are below the target approved in Tariff Order 2016, there is an increase of 86.18% with reference to the actual sales of FY-16.

HT-5: As this category is related to temporary nature of installations, the usage pattern is inconsistent.

MSEZ Supply: In the Tariff Order 2016 Hon'ble Commission has approved 83.38 MU energy sales to MSEZ for FY-17 against which the consumption of MSEZ is only 18.31 MU. Variation between the actuals and projection is about 78%. This has also resulted in additional deficit to MESCOM account. Hence, it is to be submitted before the Hon'ble Commission to direct the MSEZ for a reasonable estimation of their consumption in their filing for ARR / Tariff petition for FY-19.

b. Distribution Loss:

In the Tariff Order 2016, Hon'ble Commission has approved an average distribution loss of 11.15% for FY-17 with 11.35% being the upper limit and 10.95% being the lower limit against which the actual distribution loss of MESCOM in the year FY-17 is 11.40%.

1	Energy at Interface Points in MU	5411.61
2	Total Sales in MU	4794.42
3	Distribution Loss (%)	11.40%
	Approved Loss Levels for FY-17	
	Upper Limit : 11.35%	
	Average : 11.15%	
	Lower Limit : 10.95%	

Further regarding transmission loss, it is to be submitted before the Hon'ble Commission that considering the energy at generation point, after energy balancing exercise, and also having considered the energy at interface point the resultant transmission loss has been worked out to 4.54%. **However, KERC approved transmission loss for FY-17 for KPTCL was 3.47%.**

4.2.2 Financial Performance:

The financial performance of MESCOM as per the Audited Annual Accounts for FY-17 v/s the Annual Revenue Requirement approved by the Hon'ble Commission in the Tariff Order-2016 is tabulated below;

Particulars	ARR for FY-17 approved in Tariff Order 2016 (Rs. In Cr.)	As per FY-17 Audited A/cs (Rs. In Cr.)	As proposed for FY-17 APR (Rs. In Cr.)
A. INCOME:			
Revenue from sale of power	2189.21	2024.06	2024.06
Revenue subsidies	584.74	785.85	785.85
A-Total Income:	2773.95	2809.91	2809.91
B. EXPENDITURE:			
(1) Purchase of Power	1949.45	2291.69	2291.69
(2) KPTCL Transmission charges	246.90	248.38	248.38
(3) SLDC Charges	1.64	1.64	1.64
Sub-Total (1+2+3):	2197.99	2541.71	2541.71
O&M Costs:			
(a) Repairs & Maintenance	391.78	35.88	35.88
(b) Employee Costs		266.98	266.98
(c) Administrative & General Expenses		68.27	68.27
Sub-Total (a+b+c):	391.78	371.13	371.13
Depreciation	77.38	78.45	78.45

Particulars	ARR for FY-17 approved in Tariff Order 2016 (Rs. In Cr.)	As per FY-17 Audited A/cs (Rs. In Cr.)	As proposed for FY-17 APR (Rs. In Cr.)
Interest & Finance Charges:			
(i) Interest on Loan Capital	69.26	57.38	57.38
(ii) Interest on Working Capital	55.64	33.38	45.01
(iii) Interest on Consumer Deposits	38.22	35.68	35.68
(iv) Interest on belated power purchase payments	-	2.87	-
Sub-Total (i+ii+iii+iv):	163.12	129.31	138.07
Less: Interest & Finance charges capitalized	(2.39)	(2.39)	(2.39)
Other Debits (including bad debts)	-	20.20	20.20
Extraordinary items	-	(3.07)	-
Net prior period (credits) / charges	-	190.13	190.13
Provision for taxes	-	3.07	3.07
Funds towards consumer relations	0.50	0.31	0.31
Sub-Total:	(1.89)	208.25	211.32
B-Total Expenditure:	2828.38	3328.85	3340.68
Return on Equity	71.61	-	80.76
Regulatory Asset	92.25	-	-
Surplus of FY-14	(144.52)	-	-
Less: Other Income	(73.77)	(531.88)	(73.71)
NET Annual Revenue Requirement	2773.95	2796.97	3347.73
REVENUE Surplus / (Deficit) (A-B)	-	12.94	(537.82)

The major variation in the expenditure, with reference to the approved costs, is observed in power purchase cost, other debits and net prior period charges. Variations in the rest of the expenditure heads are marginal.

Power Purchase Cost:

The approved power purchase cost for FY-17 was Rs.2197.99 Cr whereas the actual expenditure is Rs.2541.71 Cr. The approved cost per unit was Rs.4.03 against which actual is Rs.4.48/unit.



Source	FY-17 (Actuals)			FY-16 (Approved in TO-2015)		
	MU	Rs. (Cr.)	Avg. Cost (Rs./unit)	MU	Rs. (Cr.)	Avg. Cost (Rs./unit)
1	2	3	4	5	6	7
KPCL Hydel	411.26	41.82	1.02	683.31	71.86	1.05
KPCL Thermal	1548.29	670.84	4.33	1590.04	649.94	4.09
KPCL sub-total:	1959.55	712.66	3.64	2273.35	721.80	3.18
CGS	1793.86	657.77	-	-	-	-
CGS-NTPC/VVNL Bundle Power (Thermal)	39.60	13.54	-	-	-	-
CGS-NTPC/VVNL Bundle Power (Solar)	9.62	10.19	-	-	-	-
CGS sub-total:	1843.08	681.50	3.70	1725.97	559.75	3.24
NCE-Non Solar	513.08	180.59	3.52	699.80	239.97	3.43
NCE-Solar	74.91	55.97	7.47	65.20	53.73	8.24
NCE sub-total:	587.99	236.56	4.02	765.00	293.70	3.84
Short Term (NCE)	13.93	7.08	-	-	-	-
Short Term (other than NCE)	297.83	126.06	-	-	-	-
Short Term – Section 11 (NCE)	14.65	7.44	-	-	-	-
Short Term - Section 11 (other than NCE)	43.23	21.96	-	-	-	-
Short Term sub-total:	369.64	162.54	4.40	88.90	44.81	5.04
Medium Term (NCE)	16.31	5.65	3.46			
Major IPPs	594.03	266.59	4.49	598.39	248.06	4.15
Other States	9.55	4.73	4.95	8.95	5.22	5.83
KPTCL Transmission Charges	-	248.38	-	-	246.90	-
PGCIL Transmission Charges	-	111.71	-	-	76.11	-
SLDC Charges	-	1.64	-	-	1.64	-
SRPC/POSO/CO/TANGEDCO	-	4.31	-	-	-	-
Energy Balancing	233.14	89.22	3.83	-	-	-
Unscheduled Energy (NCE)	7.62	2.72	3.57	-	-	-
Unscheduled Energy (Other than NCE)	2.54	0.91	3.58	-	-	-
UI	45.39	12.59	2.77	-	-	-
TOTAL:	5668.84	2541.71	4.48	5460.56	2197.99	4.03



Source	Difference of Actuals over the approved figures.			% increase / decrease over the approved figures.		
	Rs. (Cr.)	Avg. Cost (Rs./unit)	Rs. (Cr.)	Avg. Cost (Rs./unit)	Rs. (Cr.)	Avg. Cost (Rs./unit)
1	8	9	10	11	12	13
KPCL Hydel	-272.05	-30.04	-0.03	-39.81%	-41.80%	-2.86%
KPCL Thermal	-41.75	20.90	0.24	-2.63%	3.22%	5.87%
KPCL sub-total:	-313.80	-9.14	0.46	-13.80%	-1.27%	14.47%
CGS	-	-	-	-	-	-
CGS-NTPC/VVNL Bundle Power (Thermal)	-	-	-	-	-	-
CGS-NTPC/VVNL Bundle Power (Solar)	-	-	-	-	-	-
CGS sub-total:	117.11	121.75	0.46	6.79%	21.75%	14.20%
NCE-Non Solar	-186.72	-59.38	0.09	-26.68%	-24.74%	2.62%
NCE-Solar	9.71	2.24	-0.77	14.89%	4.17%	-9.34%
NCE sub-total:	-177.01	-57.14	0.18	-23.14%	-19.46%	4.69%
Short Term (NCE)	-	-	-	-	-	-
Short Term (other than NCE)	-	-	-	-	-	-
Short Term – Section 11 (NCE)	-	-	-	-	-	-
Short Term - Section 11 (other than NCE)	-	-	-	-	-	-
Short Term sub-total:	280.74	117.73	-0.64	315.79%	262.73%	-12.70%
Medium Term (NCE)	16.31	5.65	-	-	-	-
Major IPPs	-4.36	18.53	0.34	-0.73%	7.47%	8.19%
Other States	0.60	-0.49	-0.88	6.70%	-9.39%	-15.09%
KPTCL Transmission Charges	-	1.48	-	-	0.60%	-
PGCIL Transmission Charges	-	35.60	-	-	46.77%	-
SLDC Charges	-	0.00	-	-	0.00%	-
SRPC/POSOCO/TANGEDCO	-	4.31	-	-	-	-
Energy Balancing	233.14	89.22	-	-	-	-
Unscheduled Energy (NCE)	7.62	2.72	-	-	-	-
Unscheduled Energy (Other than NCE)	2.54	0.91	-	-	-	-
UI	45.39	12.59	-	-	-	-
TOTAL:	202.28	343.72	0.45	3.81%	15.64%	11.17%

As can be seen from the above table, the reduction in KPCL and NCE generation has resulted in purchase of short term power which contributes to the higher cost of power.



Other Debits:

“Other Debits” claimed for the year FY-17 is Rs.20.20 Cr. The breakup of this expenditure is as below;

Bad & Doubtful dues provided	: Rs.1.45 Cr.
Others	: Rs.1.01 Cr.
Compensation for injuries & death	: Rs. 0.91 Cr.
Loss on sale of scrap / stores	: Rs.0.51 Cr.
Sundry Debit balance written off	: Rs.16.32 Cr.

In the above breakup, item “Sundry Debit balance written off” includes Rs.16.25 Cr related to waiving of the interest on Grama Panchayat Electricity dues for the year 2015-16 as per GOK order No. EN 3 PSR 2016 / P3 / Dt.31-03-2017 (GOK order is relating to adjustment of Grama Panchayat dues as on 31-03-2015 through adjustment of borrowings under securitization scheme, copy enclosed as **Annexure-1**). Except this item, all other expenses are aroused in the usual course of business.

Net Prior Period Charges:

“Net Prior Period Charges” claimed for the year FY-17 is Rs.190.13 Cr. As can be observed in the Format- D13, the major expenditure component is relating to “**Power Purchase**” i.e., Rs.267.03 Cr. MESCO had claimed interest on the receivable amounts from other ESCOMs relating to inter-Escom energy balancing. Since the ESCOMs are not accepting the interest claims of MESCO it becomes inevitable for MESCO to withdraw the claims from the books of accounts treating it as ‘Bad Debts’. The Hon’ble Commission in the Tariff Orders 2015 & 2016, while reviewing the Annual Performance for the years FY-14 & F-15, had accepted this interest claims as income for arriving at the revenue deficit. As such, it is kindly submitted before the Hon’ble Commission to consider & allow the withdrawal of this interest claims as expenses.

Return on Equity:

In the Tariff Order 2016, Hon'ble Commission has allowed the Return on Equity of Rs.71.61 Cr. However, on the lines of Tariff Order 2016, the allowable Return on Equity works out to Rs.80.76 Cr., the computation details are as below.

(Return on Equity: Rs. in Crores)

Year	FY-17
Opening balance of paid up share capital	266.36
Share Deposit	14.00
Reserves & Surplus	155.45
Less: Recapitalized Security Deposit	(-)26.00
Total:	409.81
Rate of ROE (grossed up with MAT) [*]	19.706%
RoE for FY-17	80.76

[*] Considered 15.50% of return on equity duly grossed up with the applicable MAT of 21.342% which works out to 19.706%, as approved in Tariff Order 2016.

Status of Debt Equity Ratio:

Particulars	FY-17
GFA Closing Balance	1765.90
Debt	547.57
Equity	516.27
Normative Debt @ 70% of GFA	1236.13
Normative Equity @ 30% of GFA	529.77
% of actual DEBT on GFA	31.01 %
% of actual EQUITY on GFA	29.24 %

Renewable Purchase Obligation (RPO) compliance by MESCOM:

It is to submit before the Hon'ble Commission that in the year 2016-17, MESCOM has achieved 11.00% of Non-Solar and 0.75% of Solar RPO thereby complied the RPO obligation for FY-17 as indicated below;

a. Non-Solar RPO

Sl. No.	Particulars	Quantum (MU)	Cost (Rs. in Cr.)
1	Total Power Purchase quantum from all sources (includes 1.51 MU from SRTPV)	5670.35	2541.71
2	Non-solar Renewable energy purchased under PPA route at Generic tariff including Non-solar RE purchased from KPCL	513.08	180.59
3	Non-solar Short-Term purchase from RE sources, excluding sec-11 purchase	37.86	15.45
4	Non-solar Short-Term purchase from RE sources under sec-11	14.65	7.44
5	Non-solar RE purchased at APPC	-	-
6	Non-solar RE pertaining to green energy sold to consumers under green tariff	13.59	0.68
7	Non-solar RE purchased from other ESCOMs	-	-
8	Non-solar RE sold to other ESCOMs	-	-
9	Non-solar RE purchased from any other source like banked energy purchased at 85% of Generic tariff	-	-
10	Total Non-Solar RE Energy Purchased [No 2+ No.3+No.4+No.5 +No.7+No.9]	565.59	203.48
10.1	Adjustment from excess solar (above 0.75%)	41.66	32.61
10.2	Adjustment of Non-Solar NCE from HESCOM as per GOK Order dated 26-09-2017	30.08	-
11	Non-Solar RE accounted for the purpose of RPO [No.10+10.1+10.2- No.5-No.6-No.8]	623.74	235.41
12	Non-solar RPO complied in % [No11/No1]*100	11.00%	-

a. Solar RPO

Sl. No.	Particulars	Quantum (MU)	Cost (Rs. in Cr.)
1	Total Power Purchase quantum from all sources (includes 1.51 MU from SRTPV)	5670.35	2541.71
2	Solar Renewable energy purchased under PPA route (includes 1.51 MU from SRTPV)	86.04	68.11
3	Solar Short-Term purchase from RE sources, excluding sec-11 purchase	-	-
4	Solar Short-Term purchase from RE sources under sec-11	-	-
5	Solar RE purchased at APPC	-	-
6	Solar RE pertaining to green energy sold to consumers under green tariff	1.85	0.09
7	Solar RE purchased from other ESCOMs	-	-
8	Solar RE sold to other ESCOMs	-	-
9	Solar RE purchased from any other source like banked energy purchased at 85% of Generic tariff	-	-
10	Total Solar RE Energy Purchased [No 2+ No.3+No.4+No.5 +No.7+No.9]	86	203.48
10.1	Adjustment from excess solar (above 0.75%)	(-)41.66	(-)32.61
10.2	Adjustment of Non-Solar NCE from HESCOM as per GOK Order dated 26-09-2017	-	-
11	Solar RE accounted for the purpose of RPO [No.10+10.1+10.2- No.5-No.6-No.8]	42.53	35.41
12	Solar RPO complied in % [No11/No1]*100	0.75%	-

Interest on Working Capital:

In FY-17, MESCOM has incurred interest of Rs.33.38 Cr on working capital loan. As per the norms prescribed in the MYT regulations, MESCOM has claimed the interest on working capital as below.

	Rs. In Cr.
1. 1/12th of the amount of the O&M expenses.	30.93
2. Opening GFA	1567.18
3. Store, Materials & supplies 1% of OB of GFA	15.67
4. 1/6th of the Revenue	468.32
5. Total Working Capital	514.92
6. Rate of interest (%p.a.)	11.00%
7. Normative Interest on Working Capital	56.64
8. Actual Interest on WC as per audited accounts	33.38(*)
9. Working capital claimed to be allowed	45.01

(*)Statement showing status of borrowing as on 31-03-2017 is enclosed

as **Annexure-2.**

4.3 Accordingly, the net Revenue Deficit pertaining to the financial year FY-17 to be included in the ARR for FY-19 will be Rs.537.82 Cr.

4.4 Copy of the audited Annual Accounts for FY-17 is enclosed as **Annexure-3**.

4.5 Capital Expenditure incurred during FY-17 is indicated below;

Rs. in Cr.

Sl. No	Particulars	Capex Incurred in FY-17		
		Cost during the year	Issue of released Asset for works	Net Capex
1.	System Augmentation & Strengthening			
a.	DTC Metering	19.42	-	19.42
b.	Replacement of Electro-Mechanical meters by Static Meters	2.12	0.01	2.11
c.	Auto-recloser & sectionalizer	0.27	-	0.27
d.	Ling lines, Re-conductoring of HT, LT & 33 kV Lines.	29.09	-	29.09
e.	Installations of additional transformers	24.31	0.08	24.23
f.	Improvement – Others	9.17	0.07	9.10
g.	Tackling of high loss high consumption feeders & HVDS	0.25	0.02	0.23
	Sub-Total:	84.63	0.18	84.45
2.	R – APDRP Works	16.74	0.01	16.73
3.	Replacement of faulty Distribution Transformers with similar capacities	33.33	26.24	7.09
	Replacement of faulty Distribution Transformers by higher capacities	4.15	0.84	3.31
4.	Service connection including promoter vanished layout works			
a.	Service Connection	16.65	0.09	16.56
b.	Energization of Rural Water Supply Works under RD&PR	14.33	0.05	14.28
c.	Promoter vanished layout works	0.42	-	0.42
	Sub-Total:	31.40	0.14	31.26
5.	Rural Electrification (General)			
a.	RGGVY	0.02	-	0.02
b.	DDUGJY	-	-	-
c.	Electrification of Hamlets/Janatha Colonies	0.98	-	0.98
d.	Energisation of IP sets	8.02	0.11	7.91
e.	Regularization of un-authorized IP sets	1.13	0.03	1.10
f.	Providing infrastructure to un-authorized IP sets on total turnkey basis	63.10	-	63.10
g.	Kutir Jyothi	0.01	-	0.01
f.	Sheegra samparka yojane	4.38	0.14	4.24
g.	Naksal package	-	-	-
	Sub- Total	77.64	0.28	77.36



Rs. in Cr.

Sl. No	Particulars	Capex Incurred in FY-17		
		Cost during the year	Issue of released Asset for works	Net Capex
6.	Tribal Sub-Plan			
a.	Electrification of Tribal Colonies	1.50	-	1.50
b.	Energisation of IP sets	0.30	-	0.30
c.	Kutir Jyothi	0.01	0.01	-
	Sub- Total	1.81	0.01	1.80
7.	Special Component Plan			
a	Electrification of S.C Colonies	0.37	-	0.37
b	Energisation of IP sets	0.78	-	0.78
c	Kutir Jyothi	0.01	-	0.01
	Sub- Total	1.16	-	1.16
8.	Tools & Plants & Computers	3.48	-	3.48
9.	Civil Engineering Works	25.20	-	25.20
10.	New sub stations & lines (33 kV)	18.15	0.21	17.94
11.	Electrification of IP sets under Ganga Kalyana			
a.	IP Sets to SC	7.97	0.16	7.81
b.	IP Sets to ST	2.26	0.02	2.24
c.	IP Sets to BCM	6.41	0.05	6.36
d.	IP Sets to Minorities	2.21	0.02	2.19
	Sub- Total	18.85	0.25	18.60
	Grand Total	316.54	28.16	288.38

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