

CHAPTER – 2

SUMMARY OF FILING & TARIFF DETERMINATION PROCESS

2.0 Background for Current Filing:

The Commission in its Tariff Order dated 14th May, 2018 had approved the revised ARR for FY17 consequent on APR of FY17, Revised ARR for FY19 and the Revised Retail Supply Tariff of HESCOM for FY19 under the MYT principles. HESCOM, in its present application filed on 30th November, 2018, has sought approval for the Annual Performance Review (APR) for FY18 based on the audited accounts, approval of ARR for the fifth control period i.e. FY20-22 and Revision of Retail Supply Tariff for FY20.

2.1 Preliminary Observations of the Commission

After a preliminary scrutiny of applications, the Commission had communicated its observations to HESCOM on 18th December, 2018. The preliminary observations were mainly on the following points:

- Capital Expenditure
- Sales Forecast
- Assessment of IP set consumption
- RPO Compliance
- Wheeling and Banking
- Cross subsidy surcharge
- Power Purchase
- Issues pertaining to items of revenue and expenditure
- Distribution Losses
- Compliance to Directives

In response, HESCOM had furnished its replies on 28th December, 2018. The replies furnished by HESCOM are considered in the respective Chapters of this Order.

2.2 Public Hearing Process:

As per 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 KERC (General and Conduct of Proceedings) Regulations 2000, the Commission vide its letter dated 31st December, 2018 treated the application of HESCOM as petition and directed HESCOM to publish the summary of its ARR and Tariff proposals in the newspapers calling for objections, if any, from interested persons.

Accordingly, HESCOM has published the same in the following newspapers:

Name of the News Paper	Language	Date of Publication
Deccan Herald	English	06-01-2019 & 07-01-2019
The New Indian Express		
Vijaya Karnataka	Kannada	
Vijayavani		

HESCOM's application on APR of FY 18, Revision of ARR for FY20-22 and Revision of retail supply tariff for FY20 were also hosted on the web-sites of HESCOM and the Commission for ready reference and information of the general public.

In response to the application of HESCOM, the Commission has received 10 statements / letters of objections. HESCOM has furnished its replies to all these objections. The Commission has held a Public Hearing on 14th February, 2019 at Dharwad. The details of the written / oral submissions made by various stakeholders and the responses from HESCOM thereon and Commission's views have been discussed in Chapter - 3 / Appendix to this Order.

2.3 Consultation with the Advisory Committee of the Commission:

The Advisory Committee discussed the proposals of the KPTCL and all the ESCOMs in the State Advisory Committee meeting held on 20th February, 2019. During the meeting, the KPTCL and ESCOMs made brief presentations

on the important issues in the tariff application filed before the Commission. The Committee discussed various issues involved in the tariff application.

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