

KARNATAKA ELECTRICITY REGULATORY COMMISSION

No.16 C-1, Miller Tank Bed Area, Vasanthanagara, Bangalore-560052

PRESS NOTE

REVISION OF ELECTRICITY TARIFF FOR 2019-20

The Karnataka Electricity Regulatory Commission (KERC) has approved revision of electricity retail supply tariff for all the Electricity Supply Companies (ESCOMs) and Hukeri Rural Electricity Co-operative Society in the State of Karnataka, for the Financial Year 2020 (1st April, 2019 to 31st March, 2020). The Commission has also determined revised retail supply tariff for consumers of Mangalore Special Economic Zone (MSEZ) at Mangaluru and AEQUS SEZ in Belagavi District. The transmission tariff to be collected by KPTCL from ESCOMs has also been fixed for FY20 – FY22. The revised tariff will come into effect for the electricity consumed from the first meter reading date falling on or after 1stApril 2019.

The ESCOMs have sought a tariff hike ranging between 100 paise to 167 paise per unit for all categories of consumers. The ESCOM-wise increase sought and the percentage increase in tariff is as follows:

ESCOM	Revenue Gap projected Rs.Crores	Energy Sales projected - MU	Per Unit Increase - Paise	Existing Revenue projected Rs.Crores	Percentage Increase
BESCOM	2,932.24	28,911.76	101	20,744.01	14.14
MESCOM	706.39	5,134.92	138	3,447.12	20.49
CESC Mysore	630.75	6,335.35	100	4,198.03	15.02
HESCOM	1,980.09	11,887.78	167	8,027.16	24.67
GESCOM	968.41	7,636.51	127	5,125.48	18.89
Total	7,217.88	59,906.32	120	41,541.80	17.37

On the basis of the above, the average increase sought for the State works out to Rs.1.20 per unit and the percentage increase sought works out to 17.37%.

Since a uniform tariff is in vogue in the State, the Commission has approved uniform increase across all the ESCOMs and Hukeri RECS with a marginal differential increase in BESCO area. The slab-wise increase in the energy charges is ranging between 15 paise to 30 paise per unit. The average increase in tariff (including the fixed charges) in tariff is 33 paise per unit, accounting for an overall increase in tariff by 4.80%.

As per the current tariff structure, the recovery of Fixed Charges (FC) from consumers is not commensurate with the actual fixed expenditure being incurred by the ESCOMs and Hukeri RECS. Thus, a part of the FC is being recovered through Energy Charges. The current level of recovery of fixed charges is only 24.70% and the remaining fixed charges are being recovered through energy charges. Hence, in order to ensure full recovery of FC, the Commission has decided to increase the FC gradually year on year. Accordingly, the Commission has approved a marginal increase in fixed charges in the range of Rs.5/- per kW/HP/kVA to Rs.10/- per kW/HP/kVA in respect of all the installations except IP installations. With this marginal increase in the FC, the recovery would be to the extent of 27.73%.

The tariff increase proposed by ESCOM's is necessitated due to:

1. Increase in Power purchase cost by 16%;
 2. Increase in O & M Costs by 20%;
 3. Increase in Interest & Finance Charges by 12%
 4. Increase in Depreciation by 22%
 5. Carry forward of deficit of FY18 (due to truing up) of Rs. 2,192.33 Crores.
- Increase in Power Purchase cost is due to increase in cost from new thermal stations and increase in energy cost from Renewable Power.
 - Increase in O & M Costs is due to wage revision of employees.
 - Increase in Interest & finance charges & Depreciation is related to increased capex through borrowings and creation of assets.

Highlights of the new Tariff Order:

- ❖ **Special Incentive Scheme for HT Consumers** – A Special incentive scheme introduced in Tariff Order 2018 has been continued for all the HT Consumers for usage of energy during 10.00 Hrs to 18.00 Hrs by allowing an incentive of Re.1/- per unit, over and above their base consumption and for the consumption during the night i.e., 22.00 Hrs to 6.00 Hrs an incentive of Rs.2/- per unit is allowed for all the units consumed. However, the ToD tariff (penal charges of one Rupee per unit) would continue for the energy consumed during morning peak hours between 6.00 Hrs to 10.00 Hrs and the evening peak hours between 18.00 Hrs to 22.00 Hrs.
- ❖ The Commission has approved concessional tariff of Rs.5.20 per unit to BMRCL.
- ❖ To encourage electrification of Railway traction leading to use of clean energy and reduction of carbon emission in the State, the Commission has continued the concessional tariff to Railway traction at Rs.6.20 per unit round the clock without ToD tariff and Special incentive scheme.
- ❖ The Tariff for the Effluent Treatment Plants and the Sewerage Water Treatment Plant, located within the premises of the consumer installations, the tariff is continued to be billed under the respective category of installations.
- ❖ The Commission considering the environmental and social benefits of processing solid waste, has continued LT and HT industrial category tariff to Solid Waste processing plants located within the premises of the industries.
- ❖ To ensure timely redressal of consumer grievances, the earlier directive to the ESCOMs, to conduct Consumer's Interaction meetings at every Sub-Division Office once in three months under the Chairmanship of either the Superintending Engineer of the jurisdictional circle or the Executive Engineer of the jurisdictional Division, the Commission has directed the ESCOMs to continue the same. In case of failure to conduct such meetings, the

Commission will impose a penalty of up to one lakh rupees per Sub-Division, payable by the concerned jurisdictional Officers.

- ❖ The Commission is continuing the new tariff category LT6(C) for Electric Vehicle Charging Stations, which was introduced in Tariff Order 2018, in view of issue of the “Electric Vehicle (EV) and Energy Storage Policy” of the Government of Karnataka, which envisages 100% Electric Mobility and promoting Electric Vehicles with the environmental concerns. This energy charge is applicable to both HT and LT categories. In order to encourage the use of EV's, the concessional tariff of Rs.5/- per unit is fixed during FY20.

Salient Features of Tariff Order 2019 issued for FY20:

Domestic Consumers:

For the domestic consumers, installations of Government / Charitable Educational Institutions and hospitals in BESCO (BBMP & the other Municipal Corporation areas), the overall tariff increase is 25 paise per unit and the tariff for monthly consumption up to 30 units is increased from Rs.3.50 per unit to Rs.3.75 per unit and for consumption between 31 to 100 units, the tariff is increased from Rs.4.95 per unit to Rs.5.20 per unit. The tariff for monthly consumption of 101-200 units is increased from Rs.6.50 to Rs.6.75 per unit. The existing energy charges levied over six slabs have been modified to four slabs. The existing tariff of Rs.7.55 per unit for monthly consumption of 201-300, Rs.7.60 per unit for 301-400 units and Rs.7.65 per unit above 401 units are increased to Rs.7.80 per unit by increasing 25 paise per unit, 20 paise per unit and 15 paise per unit respectively.

For the domestic consumers in rural areas of BESCO (under Village Panchayat), the tariff for monthly consumption of up to 30 units is increased from Rs.3.40 per unit to Rs.3.65 per unit and for consumption between 31 to 100 units the tariff is increased from Rs.4.65 per unit to Rs.4.90 per unit. The tariff for monthly consumption of 101-200 units is increased from Rs.6.20 to Rs.6.45 per unit. The existing energy charges levied over five slabs have been modified to four slabs.

The existing tariff of Rs.7.05 per unit for monthly consumption of 201-300, Rs.7.10 per unit for above 301 units are increased to Rs.7.30 per unit by increasing 25 paise per unit and 20 paise per unit respectively.

For the domestic consumers in areas coming under Municipal Corporations and Urban Local bodies of other ESCOMs, the tariff for monthly consumption of up to 30 units is increased from Rs.3.45 per unit to Rs.3.70 per unit and for consumption between 31 to 100 units, the tariff is increased from Rs.4.95 per unit to Rs.5.20 per unit. The tariff for monthly consumption of 101-200 units is increased from Rs.6.50 to Rs.6.75 per unit. The tariff for monthly consumption of above 200 units is increased from Rs.7.55 to Rs.7.80 per unit.

For the domestic consumers in village panchayat areas of other ESCOMs, the tariff for monthly consumption of up to 30 units is increased from Rs.3.35 per unit to Rs.3.60 per unit and for consumption between 31 to 100 units, the tariff is increased from Rs.4.65 per unit to Rs.4.90 per unit. The tariff for monthly consumption of 101-200 units is increased from Rs.6.20 to Rs.6.45 per unit. The tariff for monthly consumption of above 200 units is increased from Rs.7.05 to Rs.7.30 per unit.

Industrial Consumers:

The increase in the tariff for LT Industrial consumers across the State is in the range of 15 paise to 20 paise per unit. The revised rates for LT industrial users in BBMP & Other Municipal Corporation areas of BESCO will be Rs.5.65 per unit (existing rate of Rs.5.50) for the first 500 units of monthly consumption and Rs.6.95 per unit (existing rate of Rs.6.75) for consumption above 500 units.

The revised rates for LT industrial users in other areas of BESCO will be Rs.5.35 per unit (existing rate of Rs.5.20) for the first 500 units of monthly consumption and Rs.6.30 per unit (existing rate of Rs.6.10) for consumption from 501 to 1000 units and Rs.6.60 per unit (existing rate Rs.6.40) for consumption above 1000 units.

For LT Industrial users in Municipal areas of other ESCOMs, the new rates will be Rs.5.45 per unit (existing rate Rs.5.30) for the first 500 units of monthly consumption, Rs.6.45 per unit (existing rate Rs.6.25) for consumption from 501 to 1000 units and Rs.6.75 per unit (existing rate Rs.6.55) for consumption above 1000 units.

For LT Industrial users in all other areas of ESCOMs, the new rates will be Rs.5.35 per unit (existing rate Rs.5.20) for the first 500 units of monthly consumption, Rs.6.30 per unit (existing rate Rs.6.10) for consumption from 501 to 1000 units and Rs.6.60 per unit (existing rate Rs.6.40) for consumption above 1000 units.

For the HT Industrial users across the State, the increase in tariff is 20 paise per unit. For HT Industrial users in BBMP and other Municipal Corporation areas of BESCO, the new tariff will be Rs.7.10 per unit (existing rate Rs.6.90) for the first one lakh units of monthly consumption and Rs.7.40 per unit (existing rate Rs.7.20) for consumption beyond one lakh units.

For the HT Industrial users in all other areas of BESCO the new tariff will be Rs.7.00 per unit (existing rate Rs.6.80) for the first one lakh units of monthly consumption and Rs.7.20 per unit (existing rate Rs.7.00) for consumption beyond one lakh units.

For the HT Industrial users in all areas of other ESCOMs, the new tariff will be Rs.6.95 per unit (existing rate Rs.6.75) for the first one lakh units of monthly consumption and Rs.7.20 per unit (existing rate Rs.7.00) for consumption beyond one lakh units.

Commercial Consumers:

For LT commercial category users, the increase in tariff is 25 paise per unit. The new tariff in urban local body areas including BBMP and City Municipal Corporation areas in all ESCOMs will be Rs.8.00 per unit (existing rate Rs.7.75) for the first 50 units of monthly consumption and Rs.9.00 per unit (existing rate of Rs.8.75) for consumption beyond 50 units. In the rural areas, the new rates will be Rs.7.50 per unit for the first 50 units of monthly consumption (existing rate Rs.7.25) and Rs.8.50 per unit (existing rate Rs.8.25) for consumption beyond 50 units.

For the HT Commercial users in BESCO area, the increase in tariff is 20 paise per unit. The new tariff in BBMP, City Municipal Corporation area of BESCO will be Rs.8.90 per unit (existing rate of Rs.8.70) for the first two lakh units of monthly consumption and Rs.9.00 per unit (existing rate of Rs.8.80) for consumption beyond two lakh units.

For the HT Commercial users in all other areas of BESCO, the increase in tariff is 20 paise per unit. The new tariff will be Rs.8.70 per unit (existing rate Rs.8.50 per unit) for the first two lakh units of monthly consumption and Rs.8.80 per unit (existing rate Rs.8.60 per unit) for consumption beyond two lakh units.

For the HT Commercial users in all other areas of other ESCOMs, the increase in tariff is 20 paise per unit. The new tariff will be Rs.8.65 per unit (existing rate of Rs.8.45 per unit) for the first two lakh units of monthly consumption and Rs.8.75 per unit (existing rate of Rs.8.55 per unit) for consumption beyond two lakh units.

Water Supply and Public Lighting:

The Commission has marginally increased the tariff for LT water supply installations by 20 paise per unit only from the existing rate of Rs.4.40 per unit to Rs.4.60 per unit. The rate for HT water supply installations is also increased by 20 paise per unit from Rs.5.00 per unit to Rs.5.20 per unit.

Concessional Tariff for Streetlight Installations with LED / Induction Lamps:

The Commission has continued to allow a rebate of one rupee for installing LED / Induction lamp lighting for streetlight installations by the urban and rural local bodies including BBMP. The promotional tariff is revised from Rs.5.10 per unit to Rs.5.30 per unit in BESCO area and Rs.5.05 per unit to Rs.5.25 per unit in other ESCOM's area. For Installations without the use of LED lamps, the revised tariff payable is Rs.6.30 (existing tariff Rs.6.10 per unit) in BESCO area and is Rs.6.25 (existing tariff Rs.6.05 per unit) in other ESCOMs area.

Educational Institutions and Hospitals:

The Commission has increased the tariff in the range of 20 paise per unit for private educational institutions and private hospitals in the LT category. The revised LT tariff in BBMP, Municipal Corporation and Urban Local Body areas of BESCO is fixed at Rs.6.95 per unit (existing rate Rs.6.75) for the first 200 units of monthly consumption and Rs.8.20 per unit (existing rate Rs.8.00) for consumption beyond 200 units. In other areas, the revised tariff is Rs.6.40 per unit (existing rate Rs.6.20) for the first 200 units of monthly consumption and Rs.7.65 per unit (existing rate Rs.7.45) for consumption beyond 200 units.

The revised LT tariff in Municipal Corporation and Urban Local Body areas of other ESCOMs is fixed at Rs.6.90 per unit (existing rate Rs.6.70) for the first 200 units and Rs.8.15 per unit (existing rate Rs.7.95) for consumption beyond 200 units. In other areas, the revised tariff is Rs.6.35 per unit (existing rate Rs.6.15) for the first 200 units and Rs.7.60 per unit (existing rate Rs.7.40) for consumption beyond 200 units.

The revised HT tariff for Government hospitals and hospitals run by charitable institutions as well as educational institutions belonging to Government and aided institutions in BESCO area is Rs.6.85 per unit (existing rate Rs.6.65) for the first one lakh units and Rs.7.25 per unit (existing rate Rs.7.05) for consumption beyond one lakh units. In other ESCOMs areas, the revised tariff is Rs.6.80 per unit (existing rate Rs.6.60) for the first one lakh units and Rs.7.20 per unit (existing rate Rs.7.00) for consumption beyond one lakh units.

The revised HT tariff for Private Educational Institutions and Private Hospitals in BESCO area is Rs.7.85 per unit (existing rate Rs.7.65) for the first one lakh units and Rs.8.25 per unit (existing rate Rs.8.05) for consumption beyond one lakh units. In other ESCOMs areas, the revised tariff is Rs.7.80 per unit (existing rate Rs.7.60) for the first one lakh units and Rs.8.20 per unit (existing rate Rs.8.00) for consumption beyond one lakh units.

Green Tariff:

To promote purchase and use of energy from Renewable Sources, Green Tariff at 50 paise per unit over and above the applicable Tariff for HT Industries & HT Commercial Consumers at their option, is continued.

Government Subsidy:

The estimated amount of subsidy to be paid to the ESCOMs and the Hukeri RECS by the Government towards free supply of electricity to 28.40 lakhs IP sets up to and inclusive of 10 HP, and 28.19 lakh Bhagya Jyothi / Kutira Jyothi households is Rs.11,892.45 Crores for 2019-20 as against Rs.11,048.37 Crores for 2018-19. The estimated consumption of IP Sets and Bhagya Jyothi / Kutira Jyothi Consumers for FY20 is 21,764.865 Million Unit (MU).

Annual Revenue Requirement (ARR) of ESCOMs for FY20:

The Commission, in accordance with the principles under the Multi-Year Tariff (MYT) Regulations has determined the Annual Revenue Requirement (ARR) for FY20 to FY22. The Commission has also taken up the Annual Performance Review (APR) of all the Licensees for FY18 and the deficit thereon has been factored in the ARR for FY20.

On a detailed review of the Tariff Applications of the ESCOMs for the Financial Year 2019-20, 2020-21 and 2021-22, the KERC has approved an overall expenditure (ARR) of Rs.42,778.32 Crores, Rs.46,201.55 Crores and Rs.49,380.60 Crores collectively for all the ESCOMs, which would be selling 59,400.07MU, 62,104.94MU and 64,967.15MU (excluding Transmission loss of 3.16%, 3.13% & 3.10% & Distribution losses of 12.97%, 12.77% & 12.58% for FY20, FY21 & FY22 respectively) to the consumers, during FY20, FY21 and FY22. The ESCOMs will procure 70,905.56MU, 73,971.94MU and 77,192.34MU for this purpose during FY20, FY21 and FY22. The Bangalore Electricity Supply Company (BESCOM) will procure 33,960.83 Million Units which accounts for 47.89% of the total State's energy with an ARR of Rs.21,274.42 Crores for FY20.

Summary of the KERC Approved ARR, Sales and Power Purchase, in respect of all the ESCOMs, for the 5th control period of FY20 to FY22 is as detailed in the following table:

Sl. No	Particulars	FY20	FY21	FY22	Remarks
1	Approved ARR by KERC Rs. Crores (ESCOMs)	42,778.31	46,201.54	49,380.60	
2	Approved ARR by KERC Rs. Crores (HRECS)	176.79	200.50	214.62	
3	Approved sales in MU	59,400.07	62,104.94	64,967.15	Excluding T & D Losses as indicated below.
4	Approved Transmission loss %	3.162	3.132	3.102	
5	Approved Distribution loss %	12.97	12.77	12.58	
6	Power purchase in MU	70,905.56	73,985.34	77,192.34	FY19 - 68,266.16 MU

The ESCOMs and Hukeri RECS had filed applications for approval of Annual Performance Review (APR) for FY18 and the Annual Revenue Requirement (ARR) for FY20, FY21 and FY22 with proposals for revision of tariff for FY20 citing overall increase in the cost of power purchase and also increase in the cost of operations. The ESCOM-wise, proposed and approved Annual Revenue Requirement (ARR) for FY20, FY21 and FY22 (including the carry forward deficit for FY18) are as under:

ESCOM-wise Proposed and Approved ARR for FY20, FY21 & FY22:

ESCOM	[Figures in Rs. Crores]					
	FY20		FY21		FY22	
	As Filed	As Approved	As Filed	As Approved	As Filed	As Approved
BESCOM	23,676.25	21,274.42	25,954.36	22,953.02	27,622.02	24,528.17
MESCOM	4,153.51	3,603.24	3,753.02	3,847.76	3,973.74	4,048.08
CESC Mysore	4,828.79	4,342.44	4,912.83	4,688.42	5,292.73	5,020.70
HESCOM	10,007.25	8,309.80	10,498.33	9,000.57	11,134.44	9,624.43
GESCOM	6,093.89	5,248.41	6,113.64	5,711.78	6,663.72	6,159.22
Hukeri RECS	234.39	176.79	244.05	200.50	278.95	214.62
Total	48,994.08	42,955.10	51,476.23	46,402.05	54,965.60	49,595.22

Revenue Gap FY20:

In the Annual Performance Review of all ESCOMs and Hukeri RECS for FY18, the Commission has determined a deficit in Revenue of Rs.748.21 Crores. This deficit together with the estimated deficit / surplus of Rs. 1,217.38 Crores for FY20 leaves an overall gap of Rs. 1,965.59 Crores to be recovered by increase in tariff for FY20.

Transmission Tariff for KPTCL for 2019-20 to 2021-22 (FY20 to FY22):

The Commission has approved an ARR of Rs. 3,506.24 Crores, Rs. 3,645.17 Crores and Rs. 3,910.48 Crores for FY20, FY21 and FY22 inclusive of carry forward deficit in revenue of Rs.112.47 Crores, consequent to Annual Performance Review of FY18. The revised transmission tariff payable to KPTCL for 2019-20, 2020-21 and 2021-22 will be Rs.1,33,644/-, Rs.1,31,711/- and Rs.1,33,758/- per MW / Month as against the existing tariff of Rs.1,15,776/- per MW / Month approved for 2018-19. The revised transmission tariff for 2019-20 is included in the power purchase cost allowed to ESCOMs and is covered in the tariff revision approved for ESCOMs.

Determination of ARR and Retail supply tariff for Mangalore SEZ Ltd., (MSEZL):

The Commission has determined ARR of Rs.44.14 Crores, Rs.48.53 Crores and Rs.51.19 Crores for MSEZL for FY20, FY21 and FY22 respectively. The Commission has allowed a retail supply tariff of Rs.7.15 per unit, in respect of industrial consumers in MSEZL for FY20.

Determination of ARR and Retail supply tariff for AEQUS SEZ:

The Commission has determined ARR of Rs.19.25 Crores, Rs.21.86 Crores and Rs.23.89 Crores for AEQUS SEZ for FY20, FY21 and FY22 respectively. The Commission has allowed a retail supply tariff of Rs.6.80 per unit, in respect of industrial consumers in AEQUS SEZ for FY20.

[Note: The detailed category-wise revised tariff schedule is enclosed and the Tariff Orders of KPTCL, ESCOMs, HRECS, MSEZL & AEQUS SEZ for FY20 are made available on the Commission's website www.karnataka.gov.in/kerc].
