

BESCOM

Preliminary Observations on Revision of ERC & Tariff filing for FY13

1. General Observations on ERC / Tariff filing application:

As per KERC (Tariff) Regulations, 2000, ESCOMs are required to file their tariff applications along with relevant forms as specified in the Regulations namely A1 to A4 and D1 to D24. However in the present filing of BESCOM the following formats are not enclosed to the tariff application.

- i) A2, A3 and A4
- ii) D3 to D20 and D22 to D24

The tariff application does not include the relevant chapters detailing the proposed item wise expenditure for FY13. Also item wise expenditure indicated under form A1 is not supported by detailed calculation sheets. BESCOM shall furnish these details.

In form D21 the number of installations are indicated as at the end of the year instead of mid year figures. BESCOM shall furnish correct statement of D21.

Though BESCOM in its prayer on page 68 has stated that it has proposed a hike of 73 paise across of the categories except BJ/KJ and IP set installations, in form D21 (b) and category wise write up on page 40 to 67, a hike of 70 to 74 paise is indicated. BESCOM shall clarify the same.

2. Sales Projections for FY13:

1. BESCOM has considered the figures for sales & number of installations, as approved by the Commission in its Tariff order dated 28.10.2011 for FY12 while estimating sales & number of installations for FY13. Since the

actual data is available till the end of January-12, BESCO needs to estimate the sales & number of installations considering actuals up to January-12 and reasonable estimates for feb-12 & Mar-12. Based on these, projections needs to be estimated for FY13.

2. In D-2 format, in sales for FY11, 11 MU is added as miscellaneous for which no details is furnished. BESCO shall clarify the same.
3. For the purpose of validating the sales, BESCO shall furnish the following data for the years FY10, FY11 & FY12:

Month	FY10			FY11			Sales-MU FY12*		
	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Oct									
Nov									
Dec									
Jan									
Feb									
March									
Total									

Note: FY12 actual up to Jan-12 & estimates for Feb12 & Mar12

4. BESCO shall furnish the details of installations as under:

Month	FY10			FY11			Numbers FY12*		
	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total	Metered [other than BJ/KJ & IP	BJ/KJ & IP	Total
Apr									
May									
Jun									
Jul									
Aug									
Sep									

Oct									
Nov									
Dec									
Jan									
Feb									
March									
Total									

4. The projected sales for FY13 is indicated at 21.00% as against an actual growth of 8.72% in FY11 and anticipated growth of 13.18% in FY12. Excluding FY07, the highest growth achieved in the last 5-years is 8.72%. The reasons for estimating such high growth rates shall be furnished.

Further, the following are the category wise observations on sales forecast for FY13:

The range in year on year growth rate in the number of installation and sales from FY06 to FY11 and the CAGR for the period FY06 to FY-11 & for the period FY08 to FY-11 and the proposed increase for FY-12 for various major categories is indicated below:

Category	FY06-FY11 range of %Growth	of	CAGR for the period FY06 to FY-11	CAGR for the period FY08 to FY-11	Proposed %increase for FY-13 by BESCOM
LT-1 Instl.	1.77% 34.66%	to	14.23%	5.11%	0.00%
Sales	-5.73% to 22.32%		7.37%	4.48%	0.03%
LT-2a Instl	4.41% to 6.77%		5.55%	5.13%	6.45%
Sales	6.49% to 12.83%		9.66%	8.35%	28.25%
LT-2b Instl.	4.91% 14.01%	to	9.73%	8.40%	26.17%
Sales	2.56% to 44.63%		13.58%	4.62%	52.79%

LT-3 Instl.	5.33% to 8.55%	6.87%	6.34%	6.86%
Sales	8.0% to 17.02%	12.57%	10.55%	33.80%
LT-4a Instl.	-7.44% to 19.99%	3.71%	-0.76%	2.38%
Sales	-9.30% to 37.84%	9.16%	7.35%	2.17%
LT-5 Instl.	2.7% to 6.17%	5.05%	4.54%	3.64%
Sales	-5.02% to 8.17%	1.74%	1.01%	20.29%
LT-6 WS Instl.	3.75% to 11.02%	7.21%	7.80%	6.71%
Sales	6.44% to 15.18%	11.23%	12.54%	20.91%
LT-6 SL Instl.	5.17% to 54.64%	17.97%	9.93%	16.22%
Sales	-26.44%to 17.88%	0.36%	11.33%	9.40%
HT-1 Instl.	-2.02% to 13.21%	3.92%	7.27%	6.67%
Sales	-2.76% to5.83%	1.41%	1.70%	22.05%
HT-2a Instl.	6.73% to 13.40%	10.35%	8.78%	11.94%
Sales	6.00% to 20.06%	12.08%	8.43%	29.91%
HT-2b Instl.	11.91% to 18.98%	15.0%	12.66%	13.24%
Sales	5.13% to 37.94%	17.93%	9.57%	16.66%
HT-4 Instl.	0.66% to 7.89%	4.68%	5.19%	4.97%
Sales	-2.54% to 21.03%	7.11%	6.06%	21.05%
Total Instl.	3.59% to 10.37%	6.44%	5.01%	6.01%
Sales	5.62% to 21.53%	10.01%	7.79%	21.00%

Based on the above table the observations of the Commission are as indicated below:

LT: 1-Reasons for not considering any additions of installations/sales in this category shall be furnished. Further BESCO shall furnish the following details for the current year FY12:

Particulars	Number of installations as on 31.01.2012	Cumulative sales in MU as on 31.01.2012
BJ/KJ consuming less than 18 units/month		
BJ/KJ consuming more than 18 units/month		

LT-2a: while normal growth rate is estimated for number of installations, the sales is estimated at 28.25%, which seems to be on higher side. This shall be clarified in the light of DSM programs being initiated by BESCO.

LT-2b: Considering the past trends the growth rate of 26.17% for installations and 52.79% for sales seems to be on higher side. Reasons for such high growth rate shall be furnished.

LT-3: while normal growth rate is estimated for number of installations, the growth rate of 33.80% considered for sales is on the higher side.

LT 4a: BESCO shall furnish the specific consumption based on actual data available from Apr-11 to Jan-12.

LT-5: considering the highest growth rate in the past 5-years of 8%, a sales growth of 20.29% seems to be on higher side.

LT-6 W/s: Sales growth rate of 20.91% appears to be on higher side considering 6.71% growth in installations. Reasons shall be furnished.

LT-6 Streetlights: Specific consumption/kW/month of connected load as per FY12 [up to January12] actual meter readings shall be furnished.

HT-1: In case of HT water supply even though normal growth in the number of installations is assumed, the sales growth is estimated as 22.05%, which is too high. Reasons for the same shall be furnished.

HT-2a: Considering the normal trends in growth rates, the sales estimate at 29.91% and the installations growth at 11.94% is on the higher side. Reasons for the same shall be furnished. Details of pending applications shall be furnished along with Contract Demand for this category.

HT-4: while normal growth rate is estimated for number of installations, the growth rate of 21.05% considered for sales is on the higher side.

List of pending applications in HT2(a), HT2(b) and LT5 categories along with the requisitioned load as on 31st December 2011 shall be furnished.

3) Power Purchase for FY13:

BESCOM shall clarify whether the proposed power purchase is as per the Orders of the GoK vide No. EN 126 EMC 2010 dated 4th January 2012 wherein ESCOM wise allocation of power is made. Also BESCOM shall clarify whether the rates on which power purchase cost is being projected is based on the power purchase agreements executed with the respective Generators.

BESCOM in its Form D1 has indicated 7885 MU as medium / short / peak power procurement at an average rate of Rs.4.07 / unit. In this regard BESCOM is required to furnish details of sources identified for procurement of 7885 MU. Further BESCOM has indicated 294 MU of power to be procured at Rs.5/ unit to meet deficit. BESCOM shall furnish the details of the source identified to meet such deficit.

4) Distribution Losses for FY13:

BESCOM has proposed distribution loss of 14.25% for FY13 as against an actual distribution loss of 14.49% achieved during FY11. The Commission in its Tariff Order dated 28th October 2011 had retained a distribution loss target of 14.50% for FY12 as approved in the MYT order dated 7th December 2010. The proposal of BESCOM indicates a reduction of 0.24% from the actual loss levels achieved in FY11.

Considering the substantial CAPEX programmes taken up by BESCOM in the past two years, the proposed loss reduction should have been more than 0.24%. BESCOM is requested to review its distribution loss level proposals duly considering its CAPEX programmes.

5) Observations on items of ARR:

i) O & M expenses:

BESCOM shall indicate whether quantum of provision made for pension, leave and gratuity is as per latest actuarial valuation report.

BESCOM has not furnished details of its projected O & M expenses as specified under MYT Regulations. In the present filing O & M expenses for FY13 have been projected at 27% more than the approved O & M expenses for FY12. BESCOM shall furnish detail calculation sheet of proposed O & M expenses as specified under MYT Regulations.

ii) Depreciation:

BESCOM has not furnished detailed calculation sheet of its projected depreciation for FY13. The same shall be furnished.

iii) Interest and Finance charges:

An amount of Rs.406.86 Crores is claimed as interest and finance charges for FY13 without furnishing details of interest on loan, interest on consumer deposit and interest on working capital. BESCO is requested to furnish the same as per formats / MYT Regulations.

iv) Return on Equity:

BESCO has claimed an amount of Rs.91.18 Crores as RoE for FY13 as against an approved RoE of Rs.22.45 Crores for FY12. BESCO shall indicate the basis for arriving at the proposed RoE for FY13.

v) Funds towards consumer relations / consumer education:

BESCO has indicated an amount of Rs.1.00 Crore towards consumer relations / consumer education for FY13 as approved by the Commission for FY12. BESCO shall furnish the details of its proposed expenditure to meet the objectives set by the Commission in its Tariff Order dated 28th October 2011. Further BESCO shall furnish the details of such actual expenditure incurred during FY12 upto 31st January 2012.

6) Observations on projected revenue for FY13:

It is observed that BESCO has projected its revenue at existing tariff for FY13 based on the projected average realization indicated in the Tariff Order 2011 without considering the actual realization rate achieved during FY12 after the revision of tariff which came into effect after 28th October 2011.

In format D2, BESCOM while projecting its revenue for FY13 has not indicated miscellaneous charges from the consumers. The same may be furnished.

7) Compliance to Directives issued by the Commission:

The Commission in its Tariff Order dated 28th October 2011 had issued various directives for compliance by ESCOMs. The Commission had also stipulated time frame for taking suitable actions and reporting the same to the Commission. However in the present filing, BESCOM has not furnished compliance report on the directives issued by the Commission. As such BESCOM is requested to furnish detailed report on the status of compliance to the Directives.

8) New Proposals:

i) Specific Categorisation of IT & BT installations:

BESCOM has sought introduction of new category under industrial tariff for IT based industries. In this regard, it is to be noted that at present IT/BT installations are being categorized under industrial tariff as per the policy of the Government of Karnataka. BESCOM shall clarify whether it has sought approval of the GoK for specific categorization of IT industries with distinct tariff as proposed. Further BESCOM shall furnish the number of installations and revenue demanded from such industries for the past three years.

ii) Time of Day Tariff:

BESCOM has proposed implementation of ToD tariff compulsorily on consumers of HT2(a) with an increase in rebate over existing rates. The rebate indicated for usage of power during off peak hours is Rs.2/ unit and levy of charges of Rs.1.50/unit for usage during peak hours.

In this regard BESCO shall furnish the details of number of consumers who have opted for ToD under HT2(a) category along with details of actual rebate for off peak usage / levy of additional charges for usage during peak hours during FY12. Further, BESCO shall furnish the basis for proposal of rebate / levy of additional charges.

9) Cross subsidy level for FY13:

As per the Tariff Policy cross subsidy surcharge to any category should not exceed plus or minus 20% for the year FY10-11 onwards. In the present filing it is observed that the entire tariff hike proposal is made out for an increase of Rs. 0.73 per unit uniformly without taking into consideration average cost of supply v/s average billing rate for each category of consumers.

The following table indicates average cost of supply v/s average billing rates as proposed by BESCO wherein there is variation of cross subsidy contribution beyond permissible +/- 20%.

Category	Avg.cost of supply (Paise/unit)	Avg. Realisation. (Paise/unit)	Percentage
			Cross Subsidy
LT 2 (a)			
LT2(a)(I)	543	418.36	-22.95%
LT2(a)(II)	543	331.64	-38.92%
LT 2 (b)			
LT2(b)(I)	543	672.47	23.84%
LT2(b)(II)	543	628.26	15.70%
LT 3			
LT 3(I)	543	714.69	31.62%
LT 3(III)	543	705.23	29.88%
LT 4 ©, LT 4(b)	543	165.80	-69.47%
LT 4 (d), LT 4©	543	189.38	-65.12%
LT 5	543		-100.00%
LT 5(a)	543	542.46	-0.10%
LT 5(b)	543	585.63	7.85%
LT 6(a)	543	405.74	-25.28%

LT 6(a)	543	481.5	-11.33%
LT 7	543	800.11	47.35%
HT 1	543	416.26	-23.34%
HT 2 a			
HT 2(a)(I)	543	582.49	7.27%
HT 2(a)(II)	543	569.8	4.94%
HT 2 b			
HT 2(b)(I)	543	770.37	41.87%
HT 2(b)(II)	543	742.62	36.76%
HT 3 a			
HT 3(a)(I)	543	106.92	-80.31%
HT 3(a)(II)	543	450	-17.13%
HT 3 b	543	300	-44.75%
HT 4			
HT 4(a)	543	485.71	-10.55%
HT 4(b)	543	532.17	-1.99%

As such BESCO is required to propose its category wise tariff hike proposal with suitable corrections in line with the Tariff Policy.

KARNATAKA ELECTRICITY REGULATORY COMMISSION

NOTE

NO.B/02/12/

Dated: 6th February 2012

1. BESCOM vide its letter dated 27th January 2012, has filed its application for Revision of ERC and Revision of Tariff for FY13. After verification / scrutiny of the ERC and Tariff application, the staff of the Commission has prepared preliminary observations on the filing.
2. A draft copy of the preliminary observations is placed in the file for perusal and approval of the Commission.

Director (Tech.) / Director (Tariff)

3. Secretary

