

CHAPTER-4 ANNUAL PERFORMANCE REVIEW FOR FY-16

4.1 Based on the Annual Audited Accounts, MESCOM is proposing here below the Annual Performance Review for the financial year FY-16, for kind consideration of the Hon'ble Commission.

4.2 Annual Performance Review for the financial year FY-16:

The operating and financial performance of the Company in FY-16 is detailed in the foregoing paragraphs.

4.2.1 Operating Performance:

C. Energy Sales:

Category wise actual energy sales in FY-16 as against the energy sales approved in Tariff Order-2015 are as below:

Category	FY-15 MU	FY-16 MU		% increase w.r.t. FY-15 Actuals	% Achievement w.r.t. Apprd. Quantum
	Actuals	As apprd. in T.O. 2015	Actuals		
LT-1;> 18 Units	13.30	12.63	13.78	3.61%	109.11%
LT-1;=< 18 Units	29.00	37.78	27.86	-3.93%	73.74%
LT-2a	1192.90	1304.18	1264.70	6.02%	96.97
LT-2b	11.47	12.74	13.68	19.27%	107.38%
LT-3	304.69	324.48	329.87	8.26%	101.66%
LT-4a	1086.18	1191.26	1197.43	10.24%	100.52%
LT-4b&c	7.18	8.15	7.32	1.95%	89.82%
LT-5	131.43	131.41	135.47	3.07%	103.09%
LT-6(W/s)	107.63	115.05	111.93	4.00%	97.29%
LT-6(St. Lt.)	58.19	64.06	63.97	9.93%	99.86%
LT-7	19.12	19.02	19.63	2.67%	103.21%
LT-Total	2961.09	3220.76	3185.64	7.58%	98.91%
HT-1	83.35	87.99	85.01	1.99%	96.61%
HT-2a	704.86	782.85	586.41	-16.80%	74.91%
HT-2b	153.86	152.12	180.07	17.03%	118.37%
HT-2c	146.65	126.97	155.05	5.73%	122.12%
HT-3a&b	23.22	24.98	8.61	-62.92%	34.47%
HT-4	14.40	13.78	16.90	17.36%	122.64%
HT-5	7.20	21.86	8.99	24.86%	41.13%
HT-Total	1133.54	1210.55	1041.04	-8.16%	86.00%
MSEZ Supply	8.64	84.03	13.86	60.42%	16.49%
KPCL Consumption	42.91	11.33	9.59		
Wheeling Energy		-	59.04		
Grand Total	4146.18	4526.68	4309.17	3.93%	95.19%

As can be observed from the above table, MESCOM has reached about 95% of the targeted energy sales i.e. the sales approved in the Tariff Order 2015. The observed major variations in the energy sales across the categories, compared to the energy sales approved in the Tariff Order 2015, are analyzed as below;

HT-2a: In this category, there is a shortfall of consumption to an extent of 196.44 MU in the FY-16 when compared to the approved energy sales of 782.85 MU. Further, there is a drastic reduction of about 17% in the industrial consumption in FY-16 compared to FY-15. On analysis, it is observed that 12 EHT installations consumption has reduced by 125.67 MU. The status is indicated in the below table;

Energy Sales	In respect of 12 industrial EHT installations MU	Other HT industrial installations MU	Total MU
FY-15 (Actual)	277.99	426.87	704.86
FY-16 (Actual)	152.32	434.09	586.41
Growth	(-)45.21%	1.69%	(-)16.80%

HT-3a & b: There is a shortfall of consumption to an extent of 16.37 MU in FY-16, when compared to the approved sales of 24.98 MU. Since the category is related to lift irrigation schemes, the variation in consumption depends on usage.

HT-5: There is a shortfall of consumption to an extent of 12.87 MU in FY-16, when compared to the approved sales of 21.86 MU. However, there is an increase of 1.79 MU when compared to FY-15.

MSEZ Supply: In the Tariff Order 2016 Hon'ble Commission has approved 84.03 MU energy sales to MSEZ for FY-16 against which the consumption of MSEZ is only 13.86 MU.

b. Distribution Loss:

In the Tariff Order 2015, Hon'ble Commission has approved an average distribution loss of 11.25% for FY-16 with 11.50% being the upper limit and 11.00% being the lower limit against which the actual distribution loss of MESCOM in the year FY-16 is 11.50%.

1	Energy at Interface Points in MU	4869.13
2	Total Sales in MU	4309.17
3	Distribution Loss (%)	11.50%
	Approved Loss Levels for FY-16	
	Upper Limit : 11.50%	
	Average : 11.25%	
	Lower Limit : 11.00%	

4.2.2 Financial Performance:

The financial performance of MESCOM as per the Audited Annual Accounts for FY-16 v/s the Annual Revenue Requirement approved by the Hon'ble Commission in the Tariff Order-2015 is tabulated below;

Particulars	ARR approved in Tariff Order 2015 (Rs. In Cr.)	As per Audited A/cs (Rs. In Cr.)	As proposed for APR (Rs. In Cr.)
A. INCOME:			
Revenue from sale of power	1935.67	1852.20	1852.20
Revenue subsidies	513.12	511.02	511.02
A-Total Income:	2448.79	2363.22	2363.22
B. EXPENDITURE:			
(1) Purchase of Power	1767.35	2010.15	2010.15
(2) KPTCL Transmission charges	217.21	218.70	218.70
(3) SLDC Charges	2.52	1.71	1.71
Sub-Total (1+2+3):	1987.08	2230.56	2230.56
O&M Costs:			
(a) Repairs & Maintenance	344.83	33.04	33.04
(b) Employee Costs		249.24	249.24
(c) Administrative & General Expenses		67.41	67.41
Sub-Total (a+b+c):	344.83	349.69	349.69
Depreciation	72.37	63.74	63.74
Interest & Finance Charges:			
(i) Interest on Loan Capital	70.49	63.89	63.89
(ii) Interest on Working Capital	51.11	12.18	37.74
(iii) Interest on Consumer Deposits	38.30	35.55	35.55
(iv) Interest on belated power purchase payments	-	0.29	0.29
Sub-Total (i+ii+iii+iv):	159.90	111.91	137.47
Less: Interest & Finance charges capitalized	(2.51)	(1.30)	(1.30)
Other Debits (including bad debts)	-	5.03	5.03
Extraordinary items	-	(5.02)	-
Net prior period (credits) / charges	-	(8.66)	-
Provision for taxes	-	2.31	2.31
Funds towards consumer relations	0.50	0.11	0.11
B-Total Expenditure:	(2.01)	(7.53)	6.15
Return on Equity	61.71	-	76.87
Regulatory Asset as per TO-2015	(92.25)	-	-
Regulatory Asset as per TO-2014	101.02	-	-
Surplus of FY-14	(86.00)	-	-
Disallowance for imprudent capex	(1.89)	-	-
Less: Other Income	(95.97)	(396.26)	(47.74)
NET Annual Revenue Requirement	2448.79	2352.11	2816.74
REVENUE Surplus / (Deficit) (A-B)	-	11.11	(453.52)

The major variation in the expenditure, with reference to the approved costs, is observed in power purchase cost only. Variations in the rest of the expenditure heads are marginal.

Power Purchase Cost:

The approved power purchase cost for FY-16 was Rs.1987.08 Cr whereas the actual expenditure is Rs.2230.56 Cr. The approved cost per unit was Rs.3.76 against which actual is Rs.4.44.

Source	FY-16 (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	541.09	78.69	2.35	869.33	59.15	0.68
KPCL Thermal	1734.68	758.27	4.09	2064.76	800.77	3.88
KPCL sub-total:	2275.77	836.96		2934.09	859.92	
CGS	1111.47	357.31	-	-	-	-
CGS-NTPC/VVNL Bundle Power (Thermal)	43.99	19.74	-	-	-	-
CGS-NTPC/VVNL Bundle Power (Solar)	10.04	10.65	-	-	-	-
CGS sub-total:	1165.50	387.70	3.33	1009.41	327.48	3.24
NCE-Non Solar	522.13	182.37	3.49	804.25	280.88	3.49
NCE-Solar	32.11	26.45	8.24	38.48	30.75	7.99
NCE sub-total:	554.24	208.82		842.73	311.63	
Short Term (NCE)	90.20	45.82				
Short Term (other than NCE)	249.25	128.24				
Short Term – Section 11 (NCE)	94.29	47.90				
Short Term - Section 11 (other than NCE)	130.96	65.46				
Short Term sub-total:	564.70	287.42		112.66	59.14	5.25
Major IPPs	381.47	159.83	4.19	373.15	154.20	4.13
Other States	0.75	4.79	63.87	15.54	2.80	1.80
KPTCL Transmission Charges	-	218.70	-	-	217.21	-
PGCIL Transmission Charges	-	71.81	-	-	51.93	-
SLDC Charges	-	1.71	-	-	2.52	-
SRPC/POSOCO/TANGEDCO	-	0.27	-	-	0.25	-
Energy Balancing	36.15	32.30	8.93	-	-	-
Others	49.14	20.25	4.12	-	-	-
TOTAL:	5027.72	2230.56	4.44	5287.58	1987.08	3.76

Source	Difference of Actuals over the approved figures.			% increase / decrease over the approved figures.		
	MU	Rs. (Cr.)	Avg. Cost (Rs./unit)	MU	Rs. (Cr.)	Avg. Cost (Rs./unit)
1	8	9	10	11	12	13
KPCL Hydel	-328.24	19.54	1.67	-37.76%	33.03%	245.59%
KPCL Thermal	-330.08	-42.50	0.21	-15.99%	-5.31%	5.41%
KPCL sub-total:	-658.32	-22.96	-	-22.44%	-2.67%	-
CGS	-	-	-	-	-	-
CGS-NTPC/VVNL Bundle Power (Thermal)	-	-	-	-	-	-
CGS-NTPC/VVNL Bundle Power (Solar)	-	-	-	-	-	-
CGS sub-total:	156.09	60.22	0.09	15.46%	18.39%	2.78%
NCE-Non Solar	-282.12	-98.51	-	-35.08%	-35.07%	-
NCE-Solar	-6.37	-4.30	0.25	-16.55%	-13.98%	3.13%
NCE sub-total:	-288.49	-102.81	-	-34.23%	-32.99%	-
Short Term (NCE)	90.20	45.82	-	-	-	-
Short Term (other than NCE)	249.25	128.24	-	-	-	-
Short Term – Section 11 (NCE)	94.29	47.90	-	-	-	-
Short Term - Section 11 (other than NCE)	130.96	65.46	-	-	-	-
Short Term sub-total:	452.04	228.28	-5.25	401.24%	386.00%	-100.00%
Major IPPs	8.32	5.63	0.06	2.23%	3.65%	1.45%
Other States	-14.79	1.99	62.07	-95.17%	71.07%	3448.33%
KPTCL Transmission Charges	-	1.49	-	-	0.69%	-
PGCIL Transmission Charges	-	19.88	-	-	38.28%	-
SLDC Charges	-	-0.81	-	-	-32.14%	-
SRPC/POSO/CO/TANGEDCO	-	0.02	-	-	8.00%	-
Energy Balancing	-	-	-	-	-	-
Others	-	-	-	-	-	-
TOTAL:	-259.86	243.48	0.68	-4.91%	12.25%	18.09%

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

Renewable Purchase Obligation (RPO) compliance by MESCOM:

It is to submit before the Hon'ble Commission that in the year 2015-16, MESCOM has achieved 13.80% of Non-Solar and 0.84% of Solar RPO thereby complied the RPO obligation for FY-16 as indicated below;

Particulars	FY-16 (Actuals)
1. Total Energy Purchased (MU)	5027.71
Non Solar RPO:	
2. Non Solar RPO to be met (%)	10.00%
3. Non Solar RPO to be met (MU)	502.77
4. Non Solar NCE energy Purchased (MU)	706.62
5. Less: Non Solar Green Energy Sold (MU)	12.69
6. Net Non Solar NCE energy (4-5)	693.93
7. Non Solar RPO Achieved (%)	13.80%
Solar RPO:	
8. Solar RPO to be met (%)	0.25%
9. Solar RPO to be met (MU)	12.57
10. Solar NCE energy Purchased (MU)	42.15
11. Less: Solar Green Energy Sold (MU)	-
12. Net Solar NCE energy (10-11)	42.15
13. Solar RPO Achieved (%)	0.84%

Interest on Working Capital:

In FY-16, MESCOM has incurred interest of Rs.12.18 Cr towards bank overdraft drawn for working capital purpose. As per the norms prescribed in the MYT regulations, MESCOM has claimed the interest on working capital as below.

1. Working capital interest allowed by Hon'ble Commission in TO-2015.	Rs.51.11 Cr.
2. 50% of the above	Rs.25.56 Cr.
3. ADD: Actually incurred interest on Bank Over Draft	Rs.12.18 Cr.
Total (2+3):	Rs.37.74 Cr.

4.3 Accordingly, the net Revenue Deficit pertaining to the financial year FY-16 to be included in the ARR for FY-18 will be Rs.453.52 Cr.

4.4 Copy of the audited Annual Accounts for FY-16 is enclosed as **Annexure-1**.

4.5 Capital Expenditure incurred during FY-16 is indicated below;

Rs. in Cr.

Sl. No	Particulars	CAPEX Apprd. by KERC	Capex Incurred in FY-16		
			Cost during the year	Issue of released Asset for works	Net Capex
1	E&I Works (Addl. Transformers, Link-Lines, HT/LT Re-conductoring, HVDS)	41.56	84.52	0.14	84.44
2	DTC metering,	50.00	1.22	-	1.22
3	Replacement of MNR/DC & Electromag. meters by Static meters & providing SMC meter protection box wherever required.	25.00	2.86	-	2.86
4	Nirantara Jyothi Yojane	90.00	-	-	-
5	R - Accelerated Power Development and Reform Programme	10.00	4.78	-	4.78
6	Replacement of faulty Distribution Transformers	30.00	32.36	26.99	5.37
7	Service Connection including promoter vanished layout Works	20.00	27.76	0.28	27.48
8	Rural Electrification (General)				
a	Rural Electrification (RGGVY 12th Plan)	10.00	14.97	-	14.97
b	RGGVY(DDG)				
c	Electrification of Hamlets	2.00	0.54	-	0.54
d	Energisation of IP sets Including providing Infrastructure to regularized UIP	50.00	51.58	0.14	51.44
e	Kutir Jyothi		0.01	-	0.01
f.	Sheegra samparka yojane	0.25	1.68	0.02	1.66
g.	Naksal package		0.03	-	0.03
	Sub- Total	62.25	68.81	0.16	68.65
9	Tribal Sub-Plan				
a	Electrification of Tribal Colonies	0.60	0.16	-	0.16
b	Energisation of IP sets	0.38	0.24	-	0.24
c	Kutir Jyothi	0.02	-	-	-
	Sub- Total	1.00	0.40	-	0.40
10	Special Component Plan				
a	Electrification of S.C Colonies	1.00	0.24	-	0.24
b	Energisation of IP sets	0.98	0.37	0.01	0.36
c	Kutir Jyothi	0.10	-	-	-
	Sub- Total	2.08	0.61	0.01	0.60
11	Tools & Plants & Computers	2.00	9.41	-	9.41
12	Civil Engineering Works	5.00	14.35	-	14.35
13	33 KV Station and Line Works	15.00	10.54	-	10.54
	Grand Total	353.89	257.68	27.58	230.10
