

GESCOM

Preliminary Observations on Approval of APR for FY12, Business Plan and ARR for F14 – FY16 & Tariff filing for FY14

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 GESCOM the following formats are not enclosed to the tariff application.

- i) D6(a), D(9) for FY14 to FY16, D22 to D24

GESCOM shall furnish the copy of the audited accounts for FY12 and half yearly audited accounts for FY13 (April 2012 to Sept.2012).

GESCOM is directed to furnish required formats and other information as sought above immediately.

2. Annual Performance Review for FY12:

a) Power Purchase:

The Commission in its Tariff order dated 28th October 2011, while allowing cost of power purchase for FY11 had directed to reconcile energy / costs among the ESCOMs and reflect the same in their books of accounts. In this regard, GESCOM is requested to furnish the status of energy balance and reconciliation for FY11 and FY12 with reference to cost and quantum and clarify whether the same is reflected in the accounts and action taken to liquidate payables / receivables on account of reconciliation with other ESCOMs. GESCOM is directed to attend the observations and furnish the required information.

b) O & M expenses:

The Commission while allowing O & M expenses for FY12 had considered an amount of Rs.33.28 Crores towards additional employee cost on account of pay revision. In this regard GESCOM shall furnish the details of actual employee cost incurred on account of pay revision for FY12.

3. Annual Revenue Requirement for FY14 – FY16:

a) Sales estimates for FY14-16

GESCOM has stated that the sales estimates for FY14 to FY16 is made on the basis of actual consumption available for FY11 to FY13 for all metered categories. For IP sets, it is stated that the sales is made on the basis of sample studies and for BJ/KJ based on 18 units per installation per month.

Since the actual data is available till the end of November-12, GESCOM needs to estimate the sales & number of installations considering actuals up to November-12 and reasonable estimates for the remaining period. Based on these, projections needs to be re-estimated for FY13.

For the purpose of validating the sales, GESCOM shall furnish the following data for the years FY11, FY12 & FY13:

Sales-MU

Month	FY11			FY12			FY13*		
	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: FY13 actual up to Nov-12 & estimates for the remaining period

GESCOM shall furnish the details of installations as under:

Month	FY11			FY12			FY13*		
	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: FY13 actual up to Nov-12 & estimates for the remaining period

The following are the category wise observations on sales forecast for the control period FY14 – FY16:

The range in year on year growth rate in the number of installation and sales from FY07 to FY12 (five year CAGR) and the CAGR for the period FY09 to FY-12(3year CAGR) & for the period FY08 to FY-12 and the proposed increase for the control period for various major categories is indicated below:

Category	FY08- FY12 range of %Growth	CAGR for the period FY07 to FY- 12	CAGR for the period FY09 to FY- 12	Proposed %increase for FY-14 for GESCOM	Proposed %increase for FY-15 for GESCOM	Proposed %increase for FY-16 for GESCOM
LT-1 Instl.	1.17 to 14.88	5.35	6.09	3.00	3.00	3.00
Sales	6.93 to 11.42	9.95	11.16	3.00	3.00	3.00
LT-2a Instl	1.70 to 4.10	2.91	3.61	3.44	3.46	3.48
Sales	8.48 to 12.85	10.33	10.63	10.22	9.18	9.18
LT-3 Instl.	2.76 to 5.58	4.15	4.75	5.34	5.35	5.36
Sales	9.73 to 18.80	14.75	14.99	15.97	16.24	16.52
LT-4a Instl.	1.54 to 14.15	5.60	4.04	6.83	9.38	8.29
Sales	-4.34 to 26.96	6.66	11.33	8.41	13.93	6.07
LT-5 Instl.	3.48 to 6.82	5.40	5.52	5.00	5.00	5.00
Sales	-0.54 to 5.75	2.41	3.66	0.03	6.05	6.05
LT-6 WS Instl.	2.73 to 11.86	6.67	5.70	6.00	6.00	6.00
Sales	-1.17 to 26.50	9.49	4.18	7.06	7.06	7.06
LT-6 SL Instl.	0.28 to 12.32	6.59	8.55	7.00	7.01	6.99
Sales	-5.37 to 79.59	17.24	1.70	3.00	4.00	6.00
HT-1 Instl.	0 to 9.09	5.53	4.51	5.06	4.82	5.75
Sales	4.19 to 9.13	7.16	7.76	9.20	9.20	9.20
HT-2a Instl.	12.59 to 20.41	16.98	15.09	9.66	7.82	7.86
		8.03	1.12	15.00	2.16	8.39

Sales	-11.26 to 22.26					
HT-2b Instl.	6.84 to 9.43	8.13	7.27	7.87	6.93	6.14
Sales	-8.67 to 26.62	9.15	0.39	13.41	12.34	11.30
HT-4 Instl.	-12.90 to 6.90	0.64	4.51	5.88	5.56	5.26
Sales	3.95 to 11.49	7.21	6.58	10.25	10.29	10.24
Total Instl.	2.81 to 6.71	4.02	4.49	4.03	4.36	4.27
Sales	1.10 to 16.49	8.12	8.54	10.09	10.26	7.61

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

It is noted that the growth rate of 10% considered for FY14 and FY15 is on higher side for the total sales in GESCOM when compared to the CAGR of 8.5%.

LT: 1- GESCOM has estimated the sales for BJ/KJ bases on 18 units per month per installation. Since the actual data for FY12 is available the estimate for this category shall be based on the actual consumption duly segregating installations consuming less than 18 units and those consuming more than 18 units. . Further GESCOM shall furnish the following details for the year FY13:

Particulars	Number of installations as on 30.11.2012	Cumulative sales in MU as on 30.11.2012 from January 2012
BJ/KJ consuming less than 18 units/month		
BJ/KJ consuming more than 18 units/month		

The data in the above format for BJ/KJ shall be furnished for FY13 to FY16 also.

Also, the additions of installations under RGGVY, if any, and the corresponding sales for the Control period under BJ/KJ shall be indicated.

LT-2a: The additions of installations under RGGVY, if any, and the corresponding sales for the Control period shall be indicated.

LT 4a: GESCOM shall furnish the specific consumption based on actual data available from Apr-11 to March -12. GESCOM shall also furnish actual consumption upto Nov.2012. As per ERC filings number of installations for FY12 is 277607 and consumption is 2788.29 MU. Whereas as per monthly reports received in the Commission for FY12, number of installations is given as 277601 and the consumption is 2787 MU. There is a difference in number of installations (6) and 1.29 MU in consumption. The reasons for the difference shall be furnished.

LT-5: considering the sales CAGR of 3% the growth rate of 6% for FY15 and FY16 is on higher side. Further, it is noted that no growth is considered for FY14.

HT-1: Considering the CAGR of about 7 to 8% (3 yr. & 5 yr. CAGR), the estimate of GESCOM at 9% for sales is on the higher side.

HT-2a: Considering the 3 yr. CAGR of 1% and 5 yr. CAGR of 8% the sales growth of 15% considered for FY12 is on the higher side. Further, the estimation of installations in the range of 8 to 10% by GESCOM is on the lower side considering the CAGR which is in the range of 15 to 17%.

HT-2b: : Considering the 3 yr. CAGR of about 0.5% and 5 yr. CAGR of 9% the sales growth of 13% considered for FY14 is on the higher side.

HT-4 : Considering the sales CAGR of about 7%, the estimates of GESCO at 10% is on higher side.

b) Power Purchase for FY14:

GESCO shall clarify whether the rates on which power purchase cost (fixed cost and variable cost per unit of energy generator) is being projected is based on the power purchase agreements executed with the respective Generators.

GESCO shall furnish the details of estimates of meeting solar and non solar RPO for the period FY14 – FY16. GESCO shall also clarify whether charges to meet RPO has been included in its projections of power purchase for FY14 – FY16.

c) Distribution Losses for FY14:

GESCO has proposed distribution loss of 18% for FY14, 17.50% for FY15 and 16.50% for FY16. The actual distribution loss of 21.70% is achieved during FY12 as against an approved loss of 21%. As per the tariff order dated 30th April 2012, the approved distribution loss for FY13 is 20%. Considering the substantial capex incurred in FY12 & FY13 and proposed capex for FY14 – FY16, the reduction of losses proposed by GESCO is meager and not commensurate with the investments. As such GESCO is directed to indicate lower loss levels for the control period – FY14 to FY16.

c) Capex for FY14 – FY16:

As against proposed and approved capex of Rs.572.70 Crores, the actual capex incurred is reported as Rs.259.16 Crores for FY12. This indicates financial progress of only 45%. However the proposed capex for FY14 to FY16 is Rs.552.50 Crores, Rs.517.50 Crores and Rs.376.00 Crores. Further, GESCO has indicated that the expected capex to be

completed during these years are Rs.373.50 Crores, Rs.392.50 Crores and Rs.305.50 Crores respectively. Further, under format D17, GESCOM has indicated capital expenditure of Rs.310.00 Crores for FY14, Rs.425.00 Crores for FY15 and Rs.320.00 Crores for FY16. As such, GESCOM is directed to furnish the correct capex proposals as well as the allied interest cost for the control period.

d) Interest and Finance Charges:

GESCOM shall furnish data as per format D9 for the control period FY14 to FY16.

e) Return on Equity:

GESCOM shall furnish the details of computation of RoE for the period FY14 to FY16.

4) Retail Supply Tariff for FY14:

Tariff Proposal:

GESCOM in its filing has proposed to increase the tariff by 70 paise per unit in respect of all categories of consumers except IP set upto 10 HP and BJ/KJ installations. Reasons for uniform increase proposal of 70 paise and no increase for IP set upto 10 HP and BJ/KJ installations may be explained.

5. Kannada Version of Tariff Filing:

GESCOM is directed to furnish copies of the tariff filing in Kannada. Also copies in Kannada shall be made available to public after acceptance of the application by the Commission.

KARNATAKA ELECTRICITY REGULATORY COMMISSION

NOTE

NO.B/27/12/

Dated: 26th December 2012

1. GESCOM vide its letter dated 10th December 2012, has filed its application for Approval of APR for FY12, Approval of ERC for FY14 to FY16 and Tariff for FY14. 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