

CHAPTER – 2

SUMMARY OF FILING & TARIFF DETERMINATION PROCESS

2.0 Background for Current Filing:

The Commission in its Tariff Order dated 30th March, 2016 had approved the ARR for FY17 to FY19 and Revised Retail Supply Tariff of MESCOM for FY17 under the MYT principles for the control period of FY17 to FY19. MESCOM in its present application filed on 30th November, 2016 has sought approval for the Annual Performance Review (APR) for FY16 based on the audited accounts, Revision of ARR for the second year of the fourth control period i.e., FY18 and Revised Retail Supply Tariff for FY18.

2.1 Preliminary Observations of the Commission:

After preliminary scrutiny of applications, the Commission had communicated its observations to MESCOM on 21st December, 2016. The preliminary observations were mainly on the following points:

- Capital Expenditure for FY16
- Proposed capex for FY18
- Estimation of Sales for FY18
- Estimation of sales to IP sets consumption for FY18
- Distribution Losses
- RPO Compliance
- Power Purchase
- Interest and Finance charges
- Issues pertaining to items of Revenue and Expenditure
- Compliance to Directives issued by the Commission

MESCOM in response had furnished its replies on 30th December, 2016. The Commission had issued Rejoinder to the replies vide Commission letter dated 10th January, 2017, the replies to the Rejoinder were received vide letter dated 13th January, 2017. The replies furnished by MESCOM 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 the KERC (General and Conduct of Proceedings) Regulations, 2000, the Commission vide its letter dated 04th January, 2017 treated the application of the MESCOM as petition and directed the MESCOM to publish the summary of ARR and Tariff proposals in the newspapers calling for objections, if any, from interested persons.

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

Name of the News Paper	Language	Date of Publication
The Hindu	English	07-1-2017 & 08-1-2017
The New Indian Express		
Udayavani	Kannada	
Vijayakarnataka		
Vijayavani		

MESCOM's application on APR for FY16, Revision of ARR for FY18 and revision of retail supply tariff for FY18 were also hosted on the web sites of MESCOM and the Commission for the ready reference and information of the general public.

In response to the application of MESCOM, the Commission has received Two hundred and thirty nine statements / letters of objections. MESCOM has furnished its replies to all these objections. The Commission has held a Public Hearing on 27th February, 2017 at Mangaluru. The details of the written / oral submissions made by various stakeholders and the response from MESCOM thereon have been discussed in Chapter - 3 / Appendix to this Order.

2.3 Consultation with the Advisory Committee of the Commission:

The Commission has also discussed the proposals of the KPTCL and all ESCOMs in the State Advisory Committee meeting held on 8th March, 2017. During the meeting the following important issues were also discussed:

- Performance of KPTCL / ESCOMs during FY16
- Major items of expenditure of KPTCL / ESCOMs

Members of the Committee have offered valuable suggestions on the proposals. The Commission has taken note of these suggestions while issuing the Order.