

HRECS

Replies to Preliminary Observations on APR for FY22 and ARR for FY24 & Retail Supply Tariff for FY24

1. Observations on Sales:

1. Data inconsistency:

- (i) At Page no.8 of the filing, the sales for FY22 of HRECS as per audited accounts is indicated as 262.995MU, whereas as per D-2 Format it is 263.001MU. The sales data shall be reconciled and correct figure may be confirmed.

The Applicant HRECS Replies:

It is respectfully submitted that the actual sales for FY 22 is 263.001 MU. The Hon'ble Commission may kindly consider the same.

Particular	Page No-8	D-2 Format figures
HRECS sales	262.295	263.001
Sales to SEZ	28.270	28.265
Total	291.265	291.266

At page no. 8 HRECS sales has rounded off 0.0005 and sales to SEZ are rounded off 0.005. However actual sales category wise would be other than SEZ was 263.001 MU.

- (ii) In D-21 Format, for FY24, the Mid-year installations for BJ/KJ consuming above 40 units is indicated as 390, whereas in D-2 Format, the year-end installations for the same is indicated as 380. This shall be rectified.

The Applicant HRECS Replies:

It is respectfully submitted that the BJ/KJ installations consuming more than 40 units is rectified. In D-2 Format for FY-24 is 380 numbers. The Hon'ble Commission may kindly accept the same.

- (iii) In D-21 Format, the Mid-year number of BJ/KJ installations is indicated as 12064 and 390 for installations consuming upto 40 units and above 40 units respectively. Since, there are no addition proposed to the number of installations, the Mid-year installation shall remain same with that of installations existing at the year-end of FY22. Accordingly, the data shall be rectified.

The Applicant HRECS Replies:

It is respectfully submitted that the BJ/KJ installations consuming upto 40 units are 12074 numbers and 380 installations are consuming above 40 units. The error is regretted.

2. Sales: for FY22- Other than IP sets:

The Commission, in its Tariff Order, 2021 dated 09.06.2021, had approved total sales to various consumer categories at 273.983MU for FY22, against HRECS proposal of 279.892MU [excluding sales to AEQUS]. The actual sales of HRECS as per the current APR filing [D-2 FORMAT] is 263.001MU, indicating a decrease in the sales to an extent of 10.992MU with respect to the approved sales. The

category-wise sales approved and the actuals as per D-2 Format of the current filing is as indicated below:

Installations	FY-22 as approved in TO 2021 Lakh units	FY22 HRECS Actual as per Audited Accounts lakh units	FY22 Actual-approved lakh units
BJ/KJ less than or equal to 40 units	39.06	39.23	0.17
BJ/KJ -more than 40 units	3.30	2.61	-0.69
Domestic (All Electric home & domestic lighting)	335.98	304.49	-31.49
Private professional institutions	2.27	1.53	-0.74
Commercial and Non residential	81.41	88.76	7.35
Irrigation pump sets (LT4a+LT4b+LT4c)	1883.61	1814.36	-69.25
LT Industry	59.54	59.13	-0.41
Public water supply	59.61	56.97	-2.64
Public lighting	24.57	26.33	1.75
Temporary supply	0.81	0.67	-0.13
LT TOTAL	2490.16	2394.09	-96.08
HT - 1 Public Water Supply	92.99	79.52	-13.47
HT - 2(a) Industrial Non-commercial and Non industrial including railways	97.20	103.70	6.50
HT 2(b) Commercial	4.95	5.42	0.47
HT2c	4.27	3.99	-0.28
HT 3 Irrigation & Agricultural farms, list includes societies etc.	49.77	41.05	-8.72
HT 5 Temporary	0.48	2.25	1.77
HT Total	249.65	235.92	-13.73
Total (LT + HT)	2739.82	2630.01	-109.81

The Commission notes that, the decrease in sales is mainly in LT Domestic (LT 2a), LT-4 /HT-3 Irrigation pump-sets and HT-1 Water supply categories.

The Applicant HRECS Replies:

The main reason in reduction of sales to LT- 2a is that more number of consumers under this category have replaced incandescent bulbs by LED bulbs. Secondly field officers have been insisting new consumers during the year to install only star rated appliances like Refrigerator, Fans and Air conditioners etc. However field officers are always warned by the management every month in the meeting regarding reduction in sales. However it is brought to the notice of the Hon'ble Commission that the sales in FY 22 is more than sales of FY 21.

The Commission notes that in LT4(c) even though, the number of installations has remained same in FY21 and FY22, the sales has reduced drastically to 513 Units from 2911Units in FY21.

The Applicant HRECS Replies:

It is respectfully submitted that in the LT4(c) category, one installation is not in operation. Hence sales has decreased.

In LT5 category, even though the number of installation has reduced in FY22 there is increase in sales.

The Applicant HRECS Replies:

It is respectfully submitted that the 75 water purify installations were wrongly entered in LT-5 category in 4th quarter of FY-21. Those installations were transferred to LT-6(a) in FY-22. Hence installations have decrease in FY-22.

In LT6(a) category, even though the number of installation has increased in FY22 there is decrease in sales.

The Applicant HRECS Replies:

It is respectfully submitted that the 75 water purify installations were wrongly entered in LT-5 category in 4th quarter of FY-21. Those installations were transferred to LT-6(a) in Apr-22. Hence installations have increased in FY-22. The some water supply installations were also permanently disconnected. Hence decrease in sales.

In HT1, HT3(a)(i) categories, even though the number of installation has remained same, the sales in FY22 has reduced.

The Applicant HRECS Replies :

It is respectfully submitted that the consumption decreased mainly in HT-1 and HT-3(a)(i) category installations on account of heavy rain and flood in the month of Jul-2021 and installations were not operating and also few Water Supply and LIS installation on river side were not working.

In HT2(b), HT2(c)(i) & (ii) and HT5 categories, even though the number of installation has remained same, the sales in FY22 has increased considerably.

The Applicant HRECS Replies :

It is respectfully submitted that:

Under HT-2(b) one installation 5 years back billing 244161 units were claimed in FY-22. Hence the sales in FY22 have increased.

Under HT-2(c)(i) one installation back billing 17880 units were claimed in FY-22. Hence the sales in FY22 have increased.

Under HT-2(c)(ii) consuming more electricity in FY-22. Hence the sales in FY22 have increased.

Under HT-5, one installation pertaining to industry under KIADB consuming more electricity and therefore the sales in FY22 have increased.

In HT3(a) (ii) category, even though the number of installations has increased to 3 in FY22 the sales has reduced.

The Applicant HRECS Replies :

It is respectfully submitted that the consumption decreased mainly in HT-3(a) (ii) category installation on account of heavy rain and flood in the month of Jul-2021. Hence one LIS installation consumption was low during rainy season and two installations were energized in 4th quarter of FY-22.

3. Sales-IP Sets for FY22:

- a. The Commission, in the APR for FY21, vide its tariff order 2022 has approved the total sales to IP sets as 175.355 MU against 30,443 installations. The specific consumption as per the approved sales works out to 5,856 units per IP set per annum for FY21. HRECS, in its current filing has indicated the total sales to IP sets as 181.318 MU for FY22 against 31585 numbers of IP installations, with a specific consumption of 5,846 units per IP set per annum. The Commission notes that there is an increase in sales by 5.963 MU for FY22 as compared to FY21 actuals. HRECS shall furnish the reasons for decrease in sales in FY 22.

The Applicant HRECS Replies:

There was heavy rain fall during the year 2021. Due to this the water level has increased and therefore there was high consumption and also IP set have increased during FY 22 and therefore sales were up by 5.963 MU in the FY 22.

- b. The details of sales to IP sets for FY22 as approved by the Commission, in its tariff order 2021 and the actual sales as furnished by HRECS in its Tariff Filing for FY 22 are as follows;

Particulars	As approved by the Commission in ARR for FY22	As submitted by HRECS in its application for FY 22
Number of installations	31545	31585
Mid-year number of installations	31045	31014
Specific consumption in units / installation / annum	6066	5846
Sales in MU	188.33	181.32

- c. HRECS shall furnish the reasons for decrease in specific consumption by 220 units / installation / annum and decrease in sales by 7.01 MU, when there is an increase in number of installations by only 40.

The Applicant HRECS Replies:

Agriculture community as a whole in the HRECS region have awareness of productive use of electricity and now they are not resorting for excessive use of electricity. This may not be true in all cases. However some farmers are having energy efficient pumps and some farmers have adopted drip farming. Farmers themselves have put up their small solar pump sets. All these measures have lead to conserving electricity in small way.

- d. Based on the feeder-wise, month-wise average sales per IP assessment sheets, it is observed that, HRECS has considered the distribution losses varying from 7% to 32%. The losses considered for each feeder is different and is different from month to month. HRECS shall have to substantiate the losses so considered for arriving at the sales to IP set installations. It shall furnish the distribution losses in a different column and consumption

by other loads in a different column, in order to identify the losses considered by HRECS.

The Applicant HRECS Replies:

It is respectfully submitted that the IP feeders are scattered at different places viz. River bed, Irrigated area, Non- irrigated area etc.

The detailed sheet in this regard is enclosed and marked as Annexure-A

- e. HRECS has not furnished the details of the unauthorized IP sets identified in its area in the report and has not mentioned the action taken to regularize them.

The Applicant HRECS Replies:

It is respectfully submitted that HRECS has identified 1700 numbers of unauthorized IP sets and regularization is carried out phase wise once the network is capacitated with required lines.

4. Observations on Sales Other than IP Sets for FY24:

(i) Sales Other than IP sets:

- a. HRECS has stated that the number of installations and energy sales for FY23 is computed considering the actuals upto 30.09.2022 and for the remaining period on the basis of growth from September, 21 to March, 2022. Further, for metered categories, sales are worked out considering the CAGR for the period FY17 to FY22, the hours of supply to various consumers and other factors like dismantling of installations, population, Government policy etc. It is also submitted that abnormal variations in growth rate are not considered for estimation.
- b. The table indicating the growth rates for the number of installations is given below:

Category	Percentage Growth Rates			
	2016-17 to 2021-22 CAGR	2018-19 to 2021-22 CAGR	FY22 growth over FY21	Growth rate proposed by HRECS for FY24
LT-2a	3.44	4.47	0.26	3.44
LT-2b	3.13	3.96	2.25	3.26
LT-3	2.50	2.25	2.36	2.52
LT-5	1.74	-0.28	-3.16	1.73
LT-6 WS	5.32	5.75	10.78	5.36
LT-6 SL	7.93	7.49	5.69	7.85
HT-1	12.89	0	0	9.09
HT-2 (a)	16.00	24.05	16.67	16.67
HT-2 (b)	0	0	0	0
HT-2 (c)	3.71	6.27	0	0
HT-3(a)& (b)	21.06	9.14	18.18	7.69

The Commission notes that the growth rate considered for HT-2c & HT-3 is lower compared to the normal growth rates based on CAGR. HRECS shall consider revising the estimates to these categories.

The Applicant HRECS Replies:

It is respectfully submitted that the HT-2c & HT-3 installations growth rate proposed is realistic based on the ground realities by the HRECS, Commission is requested to approve the growth rate as proposed by the HRECS.

- c. The table indicating the growth rates for the energy sales is furnished below:

Category	Percentage Growth Rates			
	2016-17 to 2021-22 CAGR	2018-19 to 2021-22 CAGR	FY22 growth over FY21	Growth rate proposed by HRECS for FY24
LT-2a	2.36	3.95	1.85	2.37
LT-2b	-2.81	-7.34	20.00	0.00
LT-3	5.31	5.79	13.90	5.48
LT-5	2.53	1.19	0.56	2.53
LT-6 WS	-1.08	1.28	-0.74	0.00
LT-6 SL	2.16	4.82	11.64	2.16
HT-1	10.25	3.51	-6.55	10.24

Category	Percentage Growth Rates			
	2016-17 to 2021-22 CAGR	2018-19 to 2021-22 CAGR	FY22 growth over FY21	Growth rate proposed by HRECS for FY24
HT-2 (a)	-2.62	6.52	3.20	545.65
HT-2 (b)	-2.59	-2.86	103.33	0.00
HT-2 (c)	-1.68	-3.57	29.49	2.12
HT-3(a)& (b)	19.35	-4.10	-27.63	17.00

- d. The growth rate for energy sales, is lower for LT-6 street lights compared to previous year growth rate and three year CAGR and the growth rate is higher for HT2(a) and HT-3 categories.

The Applicant HRECS Replies

HRECS notes that Local Authority of HRECS region have started replacing incandescent/Mercury street light bulbs by LED bulbs and the timer switches in some places have also reduced the consumptions. All these measures have lead to conserve energy.

- e. In LT2(b) category, even though the number of installation has remained same in FY23 with respect to FY22, the sales has been increased. However, in FY24 even though one installation is added, the sales is retained at FY23 level. This shall be explained.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-2(b) sales growth rate is negative. So actual sales of Apr-22 to Sep-22 units was considered for estimating for FY23 and FY23 sales level is retained for FY24.

- f. In LT4(b) category, even though the number of installation has remained same from FY22 to FY24, the sales has been increased. Reasons for the same shall be furnished.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-4(b) sales has been increased based on CAGR growth. Further under this category it is noticed that consumption is increased owing to availability of water in the location.

- g. In LT4(c) category, even though the number of installation has remained same from FY21 to FY24, the sales has reduced drastically in FY22 (513units) and subsequently, in FY23 & FY24 sales have been increased substantially, which shall be explained.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-4(c) actual sales of Apr-22 to Sep-22 is 1032 units. On this basis sales are estimated for FY23 & growth rate for FY24 sales have been arrived.

- h. In LT6(a) category, even though in FY24 there is increase in the number of installation, the sales are retained at FY23 level.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-6(a) sales growth rate is negative so actual sales of Apr-22 to Sep-22 units was considered for estimating for FY23 and FY24.

- i. In LT7 category, even though the number of installation has remained same in FY24 with respect to FY23, the sales has been increased. Also,

for FY24 the sale is indicated as 387767 Units in page-96, whereas in D-2 Format, it is shown as 374767.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-7 sales has been increased based on CAGR. For FY-24 the sales is wrongly indicated as 387767 units in page-96 instead of 374767 units and error is regretted.

- j. In HT2(a) category, even though the number of installation is estimated to increase by 4, the sales have been increased drastically from 15MU to 97MU. Even though, it is stated that KIADB has requested for 12MW additional power, the quantum of energy estimated for KIADB is not indicated. Therefore, working details of HT2(a) sales shall be furnished.

The Applicant HRECS Replies:

In KIADB Kanagala area M/S Gold Plus Float Glass Pvt Ltd. Industries have come forward for 10 MW power for FY 23. For FY 24, 20 MW power is stated by them as required. Other industries are also coming in KIADB area with power requirement about 5 MW. Additional sale are estimated accordingly and the calculation sheet is as below:

For FY24: $25\text{MW} \times 24 \text{ hours} \times 270 \text{ days} \times 0.5(\text{PLF})/1000=81 \text{ MU}$

- k. In case of HT2(b) the number of installation is retained at FY22 level. However, the energy sales are reduced in FY24 for the same number of installation. This shall be explained.

The Applicant HRECS Replies :

It is respectfully submitted that under HT-2(b), for one installation was back billed with 244161 units in FY 22 and later was withdrawn owing to CGRF order and same was limited to six months instead of 5 years and therefore low consumption in subsequent year.

- l. In case of HT2(c)(i) the number of installation is retained at FY22 level. However, the energy sales are increased in FY24 for the same number of installation. This shall be explained.

The Applicant HRECS Replies :

It is respectfully submitted that the consumption under HT-2(c)(i) are increasing steadily for same number of installation based on this sales is estimated for FY24 as per CAGR.

- m. Sales to AEQUS: The energy sold to AEQUS by HRECS as per HRECS filing and as filed by AEQUS is indicated below:

Lakh units		
Year	HRECS	AEQUS
FY22	282.651	282.65
FY23	266.00	262.70
FY24	246.44	240.18

HRECS shall reconcile the data pertaining to AEQUS.

The Applicant HRECS Replies :

HRECS will reconcile with AEQUS regarding the projection for FY23 and FY24.

5. Observations on No. of installations s Other than IP Sets for FY24:

- a. HRECS has stated that the number of installations and energy sales for FY23 is computed considering the actuals upto 30.09.2022 and for the remaining period on the basis of growth from September-21 to March,

2022. Further, for metered categories, sales are worked out considering the CAGR for the period FY17 to FY22, the hours of supply to various consumers and other factors like dismantling of installations, population, Government policy etc. It is also submitted that abnormal variations in growth rate are not considered for estimation.

- b. The table indicating the growth rates for the number of installations is given below:

Category	Percentage Growth Rates			
	2016-17 to 2021-22 CAGR	2018-19 to 2021-22 CAGR	FY22 growth over FY21	Growth rate proposed by HRECS for FY24
LT-2a	3.44	4.47	0.26	3.44
LT-2b	3.13	3.96	2.25	3.26
LT-3	2.50	2.25	2.36	2.52
LT-5	1.74	-0.28	-3.16	1.73
LT-6 WS	5.32	5.75	10.78	5.36
LT-6 SL	7.93	7.49	5.69	7.85
HT-1	12.89	0	0	9.09
HT-2 (a)	16.00	24.05	16.67	16.67
HT-2 (b)	0	0	0	0
HT-2 (c)	3.71	6.27	0	0
HT-3(a)& (b)	21.06	9.14	18.18	7.69

The Commission notes that the growth rate considered for HT-2c & HT-3 is lower compared to the normal growth rates based on CAGR. HRECS shall consider revising the estimates to these categories.

The Applicant HRECS Replies:

It is respectfully submitted that the HT-2c & HT-3 installations growth rate proposed is realistic based on the ground realities by the HRECS, Commission is requested to approve the growth rate as proposed by the HRECS.

c. The table indicating the growth rates for the energy sales is furnished below:

Category	Percentage Growth Rates			
	2016-17 to 2021-22 CAGR	2018-19 to 2021-22 CAGR	FY22 growth over FY21	Growth rate proposed by HRECS for FY24
LT-2a	2.36	3.95	1.85	2.37
LT-2b	-2.81	-7.34	20.00	0.00
LT-3	5.31	5.79	13.90	5.48
LT-5	2.53	1.19	0.56	2.53
LT-6 WS	-1.08	1.28	-0.74	0.00
LT-6 SL	2.16	4.82	11.64	2.16
HT-1	10.25	3.51	-6.55	10.24
HT-2 (a)	-2.62	6.52	3.20	545.65
HT-2 (b)	-2.59	-2.86	103.33	0.00
HT-2 (c)	-1.68	-3.57	29.49	2.12
HT-3(a)& (b)	19.35	-4.10	-27.63	17.00

d. The growth rate for energy sales, is lower for LT-6 street lights compared to previous year growth rate and three year CAGR and the growth rate is higher for HT2(a) and HT-3 categories.

The Applicant HRECS Replies

HRECS notes that Local Authority of HRECS region have started replacing incandescent/Mercury street light bulbs by LED bulbs and the timer switches in some places have also reduced the consumptions. All these measures have lead to conserve energy.

e. In LT2(b) category, even though the number of installation has remained same in FY23 with respect to FY22, the sales has been increased. However, in FY24 even though one installation is added, the sales is retained at FY23 level. This shall be explained.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-2(b) sales growth rate is negative. So actual sales of Apr-22 to Sep-22 units was considered for estimating for FY23 and FY23 sales level is retained for FY24

- f. In LT4(b) category, even though the number of installation has remained same from FY22 to FY24, the sales has been increased. Reasons for the same shall be furnished.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-4(b) sales has been increased based on CAGR growth. Further under this category it is noticed that consumption is increased owing to availability of water in the location.

- g. In LT4(c) category, even though the number of installation has remained same from FY21 to FY24, the sales has reduced drastically in FY22 (513units) and subsequently, in FY23 & FY24 has been increased substantially, which shall be explained.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-4(c) actual sales of Apr-22 to Sep-22 is 1032 units. On this basis sales are estimated for FY23 & growth rate for FY24 sales have been arrived.

- h. In LT6(a) category, even though in FY24 there is increase in the number of installation, the sales is retained at FY23 level.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-6(a) sales growth rate is negative so actual sales of Apr-22 to Sep-22 units was considered for estimating for FY23 and FY24.

- i. In LT7 category, even though the number of installation has remained same in FY24 with respect to FY23, the sales has been increased. Also, for FY24 the sales is indicated as 387767 Units in page-96, whereas in D2 Format, it is 374767.

The Applicant HRECS Replies:

It is respectfully submitted that the LT-7 sales has been increased based on CAGR. For FY-24 the sales is wrongly indicated as 387767 units in page-96 instead of 374767 units and error is regretted.

- j. In HT2(a) category, even though the number of installation is estimated to increase by 4, the sales has been increased drastically from 15MU to 97MU. Even though, it is stated that KIADB has requested for 12MW additional power, the quantum of energy estimated for KIADB is not indicated. Therefore, working details of HT2(a) sales shall be furnished.

The Applicant HRECS Replies:

In KIADB Kanagala area M/S Gold Plus Float Glass Pvt Ltd. Industries have come forward for 10 MW power for FY 23. For FY 24, 20 MW power is stated by them as required. Other industries are also coming in KIADB area with power requirement about 5 MW. Additional sale are estimated accordingly and the calculation sheet is as below:

For FY24: $25\text{MW} \times 24 \text{ hours} \times 270 \text{ days} \times 0.5(\text{PLF})/1000=81 \text{ MU}$

- k. In case of HT2(b) the number of installation is retained at FY22 level. However, the energy sales are reduced in FY24 for the same number of installation. This shall be explained.

The Applicant HRECS Replies :

It is respectfully submitted that under HT-2(b), for one installation was back billed with 244161 units in FY 22 and later was

withdrawn owing to CGRF order and same was limited to six months instead of 5 years and therefore low consumption in subsequent year.

- I. In case of HT2(c)(i) the number of installation is retained at FY22 level. However, the energy sales are increased in FY24 for the same number of installation. This shall be explained.

The Applicant HRECS Replies :

It is respectfully submitted that the consumption under HT-2(c)(i) are increasing steadily for same number of installation based on this sales is estimated for FY24 as per CAGR.

- m. Sales to AEQUS: The energy sold to AEQUS by HRECS as per HRECS filing and as filed by AEQUS is indicated below:

Lakh units		
Year	HRECS	AEQUS
FY22	282.651	282.65
FY23	266.00	262.70
FY24	246.44	240.18

HRECS shall reconcile the data pertaining to AEQUS.

The Applicant HRECS Replies :

HRECS will reconcile with AEQUS regarding the projection for FY23 and FY24.

6. Projected sales to IP Sets for the FY24:

The Commission has made the following observations on the sales to IP sets for FY24.

- i. HRECS has considered a growth rate of 4.12% based on 5 years CAGR for projection of number of installations. With this consideration, the number of installations added for FY23 is 1,301. As per the actual data of previous two years, it is observed that an average of 1,070 installations are added. HRECS has to substantiate its approach for projecting higher number of installation.

The Applicant HRECS Replies:

Minor irrigation department has taken up lift irrigation scheme for filling 22 nos of ponds/lakes in Hukkeri Taluka. Due to this there will be increase in ground water level and used for irrigation. Therefore it is respectfully requested to the Hon'ble commission to consider the projection made by HRECS FY-24.

- ii. HRECS has submitted feeder-wise IP consumption from April, 2022 to September, 2022, based on the energy meter readings of the 11 kV feeders, it is observed that, HRECS has considered the distribution losses varying from 6.7% to 25.39%. The losses considered for each feeder is different from month to month. HRECS shall have to substantiate the losses so considered for arriving at the sales to IP set installations. It shall furnish the distribution losses in a different column and consumption by other loads in a different column, in order to identify the losses considered by HRECS.

The Applicant HRECS Replies:

It is respectfully submitted that the IP feeders are scattered at different places viz. River bed, Irrigated area, Non- irrigated area. The detailed sheet is enclosed as Annexure-B

- iii. HRECS shall furnish the number of installations, mid-year installations, specific consumption and the sales for the previous 5 years in the following format:

Particulars	FY-18		FY-19		FY-20		FY-21		FY-22	
	April 2017 to Sept 2017	Oct. to Mar 2018	April 2018 to Sept 2018	Oct. to Mar 2019	April 2019 to Sept 2019	Oct. to Mar 2020	April 2020 to Sept 2020	Oct. to Mar 2021	April 2021 to Sept 2021	Oct. to Mar 2022
LT4a – Installations (Nos)										
Midyear installations (Nos)										
LT4a – sales (MU)										
Specific consumption in units / IP/ annum										

The Applicant HRECS Replies:

It is respectfully submitted that the number of installations, mid-year installations, specific consumption and the sales for the previous 5 years are made out in the following format.

Particulars	FY-18		FY-19		FY-20		FY-21		FY-22	
	April 2017 to Sept 2017	Oct. to Mar 2018	April 2018 to Sept 2018	Oct. to Mar 2019	April 2019 to Sept 2019	Oct. to Mar 2020	April 2020 to Sept 2020	Oct. to Mar 2021	April 2021 to Sept 2021	Oct. to Mar 2022
LT4a – Installations (Nos)	26244	27347	27952	28485	28576	29445	29954	30443	30983	31585
Mid-year installations (Nos)	26030	26796	27650	28219	28531	29011	29700	30199	30713	31284
LT4a – sales (MU)	94.56	99.63	91.49	92.00	82.16	93.55	87.15	88.21	79.30	102.02
Specific consumption in units / IP/ annum	7305.37		6572.89		6066.18		5856.11		5846.39	

2. Distribution Losses

a. Losses for FY22:

1. HRECS, in its APR filing for FY 22 has indicated the actual distribution loss of 14.33% against the target loss of 13.50%. HRECS shall furnish the reason for not achieving the targeted distribution loss.

The Applicant HRECS Replies:

It is respectfully submitted before the Hon'ble commission that the existing HT lines are old/deteriorated and LT lines too long. It is not possible to drastically reduce the losses, as investment required is very huge. Most of the lines are in rural area. The technical feature of HRECS network is a unique one having to distribute energy in only rural areas. However HRECS as seen from its replies have initiated and caused to be initiated several measures to conserve the energy. The proposal has been submitted by the HRECS in this regard.

2. HRECS shall confirm whether the supply of energy to AEQUS is included in the calculation of distribution loss of HRECS area. If so, the HRECS shall calculate the revised loss for FY22 in their area of supply by considering the actual data from April 2021 to March 2022.

The Applicant HRECS Replies:

The energy sold to AEQUS is at 110/11 KV MUSS and thus not included in calculation of distribution of loss of HRECS.

3. Having made substantial capital investment upto FY22, better loss target could have been achieved by fixing the target with proper monitoring of the losses in its area. Hence, HRECS shall furnish the month-wise actual data of Energy Audit covered in its area of supply, duly indicating the reason for higher loss in the following format:

Month:

Name of the area of supply	FY22			Reason for higher loss
	Energy Input in MU	Energy Sold in MU	Distribution loss in %	
Total				

The Applicant HRECS Replies:

HRECS has initiated to prepare feeder wise DCB and energy audit and necessary software is being developed. HRECS request the Hon'ble Commission, 3 month time to submit the details.

b. Distribution Losses for FY24:

HRECS, in its ARR filing has proposed to achieve the distribution losses of 14.15% for FY24. Considering the substantial investments proposed in improvement of its distribution system and also feeder segregation works under NJY scheme, meagre reduction in losses proposed by HRECS is not

agreeable. HRECS is directed to initiate the process of energy accounting and energy auditing at distribution transformer and feeder levels for identification of loss in area of supply and reduce the current level of losses by taking suitable remedial measures and submit an action plan in this regard.

The Applicant HRECS Replies:

The following steps are taken to reduce the distribution losses:

- i. By providing additional Distribution Transformer Centers to the existing Distribution Transformer Centers.**
- ii. Shifting of existing Distribution Transformer Centers for balancing the Load.**
- iii. Bifurcation of overloaded/lengthy 11KV feeders under RDSS scheme.**
- iv. Replacement of existing old/deteriorated LT line of 4/2 ACSR over head line by Weasel/ Rabbit conductor under RDSS scheme.**
- v. Replacement of existing old/deteriorated 11KV 3 phase over head line (2/4 ACSR) by Rabbit conductor under RDSS scheme.**

Four numbers of 110/11kv MUSS's are proposed. Two numbers of 110/11kv MUSS's are sanctioned. Two numbers of 110/11kv MUSS's are commissioning shortly. After commissioning of all theses MUSS's, the overloaded 11KV feeders will be bifurcated and HT to LT ratio will be reduced.

Further HRECS has initiated to prepare feeder wise DCB and energy audit and necessary software is being developed and in 3 month time HRECS will develop software and prepare feeder wise DCB and energy audit.

3. ARR Power Purchase for FY24:

HRECS shall furnish action plan, if any, to reduce the power purchase cost by implementing solar power project schemes or any other RE Scheme in its area of supply.

The Applicant HRECS Replies :

HRECS had proposed to establish its own Solar Power Plant under Gol scheme through iDeck. However it could not be materialized as the rate offered under Gol scheme was not acceptable to the developer. However HRECS has in talks with solar developers and equity infusion issue has remained unresolved. HRECS is hopeful to come out with a proposal de novo.

4. Observations on Capex:**a. APR-Capex for FY22:**

1. Commission, in its Tariff Order 2021, by considering the details of sources of funding and the capex proposal submitted by HRECS, had recognized and retained the capex of Rs.3.59 Crores, as approved in the MYT Order 2019 for determination of tariff for FY22.

The Applicant HRECS Replies :**No comments**

2. HRECS, in its filing has indicated a capital expenditure of Rs.9.85 Crores. Further, HRECS has stated that out of total capex of Rs.9.85 Crores incurred, only Rs.3.48 Crores is having Tariff implications. This need to be explained in details with facts and figures.

The Applicant HRECS Replies :

Total capital expenditure incurred during the year 2021-22 is Rs.9.85 Crores out of which Rs.6.37 Crores was received and is yet to receive from consumer contribution and Government Grants and Subsidies, remaining balance of Rs.3.48 crores is contributed from Society own fund which has to be recovered in the tariff and Rs. 3.48 crores is only having tariff implication.

3. HRECS shall furnish the details of actual capex incurred for FY22 as per **Annexure-1**, besides furnishing the following details:

The Applicant HRECS Replies :

The details of actual capex incurred for FY22 as per Annexure-1 (of KERC letter) is attached.

- a. Total number of IP sets regularized under creation of infrastructure to UNIP/Akarma Sakrama scheme for having incurred capex of Rs.0.19 Crores and break up details of amount to be received from GoK and consumer contribution.

The Applicant HRECS Replies :

It is respectfully submitted that 40 IP Sets installations were regularized and 19 IP Sets are under Progress for which amount has been received from consumers at the rate of Rs. 10000.00 per installation and the balance amount is to be received from State Government.

- b. Abstract of total number of IP sets serviced under different categories of Ganga Kaylana for having incurred capex of Rs.0.24 Crores and break- up details for capex met from HRECS and grant received/to be received from GoK.

The Applicant HRECS Replies :

It is respectfully submitted that Under Ganga Kalyan Yojane, 4 numbers of IP Sets are serviced and amount is yet to be received from GoK. In this connection HRECS submits that only Rs. 50000.00 per installation is receivable from Government and the rest has to be borne by HRECS.

- c. As per Format D-14 consumer contribution is shown as Rs.1.40 Crores and in Format A3-Cash Flow Statement amount towards contribution, grants and subsidies is shown as Rs.1.07 Crores, whereas in page no 2 consumer contribution is shown as Rs.3.83 Crores, in view of this, HRECS is directed to submit the correct amount towards consumer contribution.

The Applicant HRECS Replies :

It is respectfully submitted that as per the Format D-14 under Page No. 55 of Society Filing the amount of Contribution, Grants and Subsidies towards cost of capital Assets is shown as Rs.107.11 Lakhs and the same amount is shown in cash flow statement against Contribution, Grants and Subsidies towards cost of capital Assets under page No.37 of HRECS filing. The same amount has been shown in page no. 37 and in page no. 55. At page No. 2, we have not indicated Rs. 3.83 crores.

- d. Breakup details for internal source of funding and own fund amounting to Rs.3.22 Crores and Rs.0.26 Crores respectively. It may be noted that the internal sources refer to the retained earnings/ profits, depreciation and equity for the current year. HERCS need to clarify as to how an amount of Rs.3.22 Crores is spent from the internal sources.

The Applicant HRECS Replies :

It is respectfully submitted that as per revised Capex for FY22 includes Improvement works and others Rs. 3.22 crores and Rs. 0.26 crores (own fund). The funding of Rs.3.48 crores for improvement works is done out of interest earned on fixed deposits. The amount incurred under Capex having tariff implication is only Rs. 3.48 crores.

b. ARR-Capex for FY24:

1. Commission, in its MYT Order 2022, based on the previous year's achievements, based on the details of sources of funding and the capex proposal submitted by HRECS, had approved and reckoned the capex of Rs.7.5 Crores for the purpose of ARR of FY24 subject to Prudence Check. Considering HRECS's projected availability of capital grants from GoI/GoK, consumer contribution and internal resources by HRECS, for the execution of capex, the Commission had considered Rs.4.50 Crores for the purpose of ARR, as capital borrowings for FY24.

The Applicant HRECS Replies :**No comments**

2. HRECS has submitted the revised proposed Capex of Rs.7.50 Crores for FY24, as per capex approved in MYT Order 2022 and in addition to this Rs.58.92 Crores has been proposed towards RDSS Scheme. In view of the this, HRECS is directed to clarify whether the proposed RDSS scheme is in vogue and if so whether HRECS has obtained necessary approval to incur the expenditure. A copy of the Government Order for implementation of RDSS may be submitted. In the absence of any approval, the Commission would not consider this proposal.

The Applicant HRECS Replies :

HRECS has prepared detail plan towards RDSS scheme and has submitted the same to State Government as asked by them. So far scheme has not been sanctioned. HRECS requests the Hon'ble Commission to approve in case Government approval is received.

HRECS will not undertake the work unless the Government communicate the sanction and the Hon'ble Commission approves it.

3. HRECS shall provide necessary justification on proposed capex (Other than RDSS) towards each of the works in terms of its purpose, requirement (Prioritization as per Capex guidelines), cost and timelines of completion along with the no. of works proposed to be taken up vis-à-vis the actual requirement, duly backed up by justifiable data regarding load growth, loss reduction, improvement in the system reliability etc., and also keeping in view the financial capability of HRECS to meet the debt servicing obligations and the tariff impact on the end consumers.

The Applicant HRECS Replies :

It is respectfully submitted that regarding the works to be executed under Ganga Kalyan IP sets, GoK sponsored works and GoI sponsored works which has to be indicated by GoK/GoI through budgetary support. Gok/GoI has not yet indicated any capital works under the above scheme. In the absence of budgetary support and indication of work to be done by the GoK/GoI. HRECS is not in a position to indicate capital works programme under above schemes. With regard to scheme formulated by HRECS the details in respect of additional DTCs, LT line, 11KV line works etc. are furnished below:

Sl. No	Particulars	Position of	Rate As Per	Proposed work programme	
		Assets as on	Common	2023-24	
		31-03-22	SR 2018-19 in Rs	Qty	Amount (in lakhs)
1	H.T Lines	1689			
	a) 11 KV Lines		313202	72	225.51

Sl. No	Particulars	Position of	Rate As Per	Proposed work programme	
		Assets as on	Common	2023-24	
		31-03-22	SR 2018-19 in Rs	Qty	Amount (in lakhs)
2	L.T Lines	4724			
	a) 3 Phase 5 Wire		-		-
	b) 3 Phase 4 Wire		196437	32	62.86
	c) 1 Phase 3 Wire		227412	12	27.30
	d) 1 Phase 2 Wire		219660	15	32.95
3	Transformer Centres				
	a) 500 KVA Transform Centre	1			
	b) 250 KVA Transform Centre	1	-		-
	c) 200 KVA Transformer	1			
	d) 150 KVA Transform Center	0			
	e) 100 KVA Transform Center	961	246426	12	29.57
	f) 63/50 KVA Transform Center	1478	203056	72	146.20
	g) 25 KVA Transform Center	427	145195	15	21.78
	h) Others (10 & 15 KVA)	151	-	-	-
4	Service connection				
	a) Agriculture -HT	7	-	2	-
	b) Industrial -HT & others	50	-	5	-
	c) Agriculture -LT	31600	3000	1209	36.27
	d) Industrial -LT	2455	3000	25	0.75

Sl. No	Particulars	Position of	Rate As Per	Proposed work programme	
		Assets as on	Common	2023-24	
		31-03-22	SR 2018-19 in Rs	Qty	Amount (in lakhs)
	e) Domestic	98695	1500	3221	48.31
	f) Commercial	6423	1500	159	2.38
	g) Street Light Brackets	539	-	46	-
	h) Water Supply	771		32	
			Total		633.88
5	Improvement Works				
	a) 11 KV Line		313202	20	62.64
	b) 100 KVA Transform Center		246426	10	24.64
	c) LT Line 3 Ph.4 Wire		196437	15	29.47
			Total		116.75
	Total				750.63
6	Electrification of un electrified Households				
	a) Electrification of household service connection				
	b) LT 1 Phase 3 wire				
			Total		
	Grand Total				750.63

It is submitted that a detail statement of all works with proper justification keeping in view the observation of the Hon'ble Commission will be sent to the Hon'ble Commission within 15 days.

c. Revised Capex for FY23:

HRECS has indicated revised capex of Rs.8.02 Crores for FY23 in its filing. It may be noted that while HRECS shall incur the capex within the approved capex for FY23, the Commission would examine the truing up of actual capex during the course of APR for FY23. Further, HRECS is directed to adhere directions issued in the MYT Order 2022 in this regard.

The Applicant HRECS Replies

HRECS will adhere to the direction issued in the MYT order 2022 in this regard.

5. Observations on Revenue/ Expenses-

a. APR FY22:

1. As per the Audited Accounts of Hukeri RECS for FY22, the total outstanding Power Purchase Cost payable to HESCOM is Rs.219.37 Crores as against the closing balance of Rs.277.39 Crores for FY21. Hukeri RECS shall furnish the reasons for accumulation of Power Purchase dues along with the action plan to settle the dues of HESCOM.

The Applicant HRECS Replies :

HRECS respectfully submit before the Hon'ble Commission that the issue regarding outstanding dues towards power purchase to HESCOM was discussed before the Hon'ble Minister of Energy, Kannada and Culture Minister on 22-12-2021 and further action taken are summarized below:

- a) **Rs. 168.83 crores principal due as on 30-09-2021 is to be settled and regarding the interest, HRECS has sought waiver. This aspect is being considered favourably as main reason for accumulation of arrears is on account of delay in the release**

of subsidy amount from the Government. The matter was taken with HESCOM and Government of Karnataka with copies of the same were submitted to KERC.

- b) Arrears is accumulated from our customers amounting to Rs. 35.61 crores. Now HRECS has started recovery on a war-footing basis and the same will be remitted to HESCOM.**
- c) One of the reasons that the Management of HRECS to accumulate is that, if the principal amount is paid the same will be adjusted towards the interest. Now that the HESCOM Authorities have agreed to account the payment made by HRECS to the principal amount only, we have decided to settle in one go. GoK has also not released Rs. 10.48 crores towards subsidy for the relevant period and Rs 7.05 crores is due from Government towards damage caused to the distribution network of HRECS owing to severe floods. This amount once received will be remitted to HESCOM.**
- d) IP set dues amounting Rs. 39.81 crores, which was written off is ploughed back to the account and same is due from consumers and is payable by the State Government.**
- e) The principal amount Rs 95.58 crores as on 31-03-22 will be paid once all the money received from consumers/State Government as detailed in a to d and balance of Rs 2.66 crores from HRECS own fund.**

2. As per the Audited Account of Hukeri RECS an amount of Rs.13,56,002 is accounted as advance to RGGVY contractor in both the financial year FY21 and FY22. HRECS shall furnish the reason for non-recovery / adjustment of this amount for a long period.

The Applicant HRECS Replies :

As per the Audited Account, the balance of RGGVY Contractors and other contractors/suppliers advance as on 31-03-2022 was Rs.1356002.00 out of which Rs.667000.00 has been already adjusted during current year and action will be taken to recover /adjust remaining balance soon.

3. Hukeri RECS shall furnish the detail of gross fixed assets created out of consumer contribution/grants included in the gross fixed assets and depreciation factored for the same as per Format-D8 and D15 for FY22 and FY24.

The Applicant HRECS Replies :

HRECS while calculating depreciation from the assets, the assets created out of consumer contribution is always deducted. Which satisfies overall requirement for charging depreciation to the ARR excluding consumer portion. Since beginning HRECS has not maintain assets created from consumer contribution separately.

4. Hukeri RECS, in its filing of APR for FY22 has claimed Rs 102.6859 Crores and Rs 2.5386 Crores as tariff subsidy in respect of IP set installations and BJ/KJ installations respectively for FY22. HRECS shall furnish the actual amount of subsidy claimed from GoK on the basis of approved CDT for FY22.

The Applicant HRECS Replies:

It is respectfully submitted that the actual amount of subsidy claimed from GoK on the basis of approved CDT for FY22 is as follows:

Particulars	Energy Charges as per CDT	FAC	Subsidy claimed from GoK for FY22
BJ/KJ	2.5891	-0.0505	2.5386
IP Set	104.6264	-1.9405	102.6859

b. ARR for FY24:

Hukeri RECS in its filing has submitted the profit and loss account under A-1 format for FY22 and the revenue requirement for FY24 without carry forward of the deficit of FY22. HRECS shall submit the revised Annual Revenue Requirement for FY22 and FY24.

The Applicant HRECS Replies:

The revised Annual Revenue Requirement for FY22 and FY24 are attached as Annexure C and Annexure D respectively.

6. Wheeling Charges / Cross Subsidy Surcharge:

(i) Wheeling charges, Cross subsidy surcharge & Additional Surcharge:

HRECS shall submit the wheeling charges (duly segregating the cost between Distribution Network cost and Retail supply business cost), cross subsidy surcharge and additional surcharge applicable for FY24, based on the ARR filed for FY24, along with the working details.

The Applicant HRECS Replies:

Hukeri RECS has no consumer, who are eligible or willing to wheel electricity at 11 KV level and therefore it would be unnecessary to determine the wheeling charges. The Applicant wish to bring to the kind notice of the Hon'ble Commission that, the Hon'ble Commission generally determine wheeling charges & cross subsidy surcharge on

the basis of same formula which are applied in HESCOM for segregating the ARR between distribution business and retail supply business. Therefore it is respectfully submitted that the same may kindly be followed for FY-24 also.

(ii) RPO Compliance:

HRECS shall furnish the details of RPO complied for FY22.

The Applicant HRECS Replies:

Hitherto, the RPO obligation of HESCOM used to be examined to verify RPO obligation of the Applicant as power purchase from HESCOM by the Applicant used to be at the weighted average rate of power purchase of HESCOM. Obviously if HESCOM complied RPO obligation, the Applicant is also deemed to have complied RPO obligation of the Applicant. Further the Applicant is exploring the possibility of putting up solar power plant to meet its RPO obligation.

7. Additional surcharge

As regards to additional surcharge, the Commission notes that, in Appeal No.260/2018 and 43/2021, the Hon'ble ATE in its order dated, 15.09.2022, has directed the Commission to bear in mind the submissions made by the Appellants, as and when the Commission sets about to pass an order in the matter and also to keep in mind the guidance on the subject provided not only by the NTP but also the Regulations framed by the Commission, wherein the muster prescribed is "conclusive demonstration on existence of factors justifying such levy". The said order is available on the ATE's Website. **Keeping in view the observations of the Hon'ble ATE, HRECS shall conclusively demonstrate and furnish the details of**

stranded costs involved to justify the claim of additional surcharge. In the absence of full details of the stranded costs to justify the Additional Surcharge, it would not be possible for the Commission to determine the Additional surcharge, so as to comply with the Orders of the Hon'ble ATE.

The relevant extract of the Orders of the Hon'ble ATE is as under:

7. *"It is the contention of the appellants that most basic data that is essential to be gathered examining whether or not there is any stranded capacity on account of the drawal of power by the open access customers from other sources comprises the information as to the extent to which the licensees were compelled to back down any long term power source during the time blocks when there was open access concession, the distribution licensees were constrained to procure power on short term basis, and the distribution licensee had to take resort to power cuts or regulate the power supply in the State this being indicative of insufficient availability of power to meet the actual demand.*

8. *In the submissions of the appellants, in order to examine and compute the claim of stranded capacity and computation of additional surcharge, information as to open access consumption, unscheduled capacity short term power purchase and power cuts imposed, if any, on time block basis is sine qua non. The submission is that since such exercise was not undertaken by the Commission, it cannot be said that the distribution licensees had conclusively demonstrated their case for approval of the rate proposed for determination of the additional surcharge."*

The Applicant HRECS Replies:

HRECS has contacted all its HT consumers and found that none has interest in the open access till FY 24. We have no case to make out standard cost to justify the claim of additional surcharge. This may kindly be taken as nill. Further there is no liability on the part of HRECS to pay fixed cost on the power purchase.

8. Observations on compliance to Commission's Directives:

Sl. No	Directives Issued by the Commission	Observations made	Compliance By HRECS
1	Consumer interaction meeting (CIM) at Subdivision level.	HRECS shall furnish the consolidated data of conducting CIMs in its area for FY22 and till September 2022 in the format prescribed giving details of the name of the Sub-division / Section, date of conducting, the Officer chaired meetings, number consumer complaints attended etc.,	Consumer interaction meetings conducted in HRECS for FY-22 and till Sept-2022 in the prescribed format is enclosed as Annexure-E
2	Service Centers for improved responsiveness	HRECS shall submit the details of number of transformers failed and the average time taken to replace the same. HRECS shall also furnish the average time taken for attending to fuse off calls, line troubles etc., for FY22 and till September 2022.	<p>The details of Number of Transformers failed for FY-22 and till September-22 is enclosed as Annexure-F</p> <p>The Average time taken to replace Distribution Transformers in Town is 23Hrs and Rural Areas is 70Hrs</p> <p>The Average time taken for attending Fuse off calls for Town is 5Hrs and for Rural Areas is 20Hrs for FY-22 and till September-2022.</p>