

GESCOM

Preliminary Observations on Revision of ERC & Tariff filing for FY13

1. General Observations on ERC / Tariff filing application:

As per KERC (Fees) Regulations, 2004, ESCOMs are required to pay fee of 0.025% of the expected revenue receipts in the year for which the tariff is to be determined by the Commission. The expected revenue receipt sought for approval being Rs.2810.98 Crores, the fee payable would be Rs.7027450/-. However GESCOM has paid a fee of Rs.6565450/- along with the tariff filing. As such GESCOM is required to pay balance amount of Rs.462000/.

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) D22 to D24

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

GESCOM in its prayer have sought for revision of tariff by 73 paise per unit across all categories other than BJ/KJ and IP sets. However in D21 the tariff increase of all categories consumer except BJ/KJ is at 75 paise except under LT6 (WS) which is at 44 paise, HT3 (b) 124 paise and HT2 (a) upto one lakh units at 44 paise above one lakh units at 14 paise per unit. Reasons for discrepancy may be explained.

2. Sales Projections for FY13:

1. GESCOM has not furnished the working details for estimation of sales and number of installations for both the years FY12 & FY13. The same shall be furnished.
2. Since the actual data is available till the end of January-12, GESCOM 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 re-estimated for FY13.
3. For the purpose of validating the sales, GESCOM 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. GESCOM 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									

5. 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-13 for various major categories is indicated below:

6.

Category	FY06-FY11 range of %Growth	CAGR for the period FY06 to FY-11	CAGR for the period FY08 to FY-11	Proposed %increase for FY-13 by GESCOM
LT-1 Instl.	1.57 to 14.88	5.44	7.70	5.00
Sales	-17.11 to 11.42	3.64	9.67	10.00
LT-2a Instl	1.70 to 3.77	2.62	2.81	3.59
Sales	8.48 to 12.85	10.32	10.67	15.00
LT-2b Instl.	4.23 to 41.01	17.47	18.91	15.00
Sales	-3.97 to 18.51	11.00	8.93	10.01
LT-3 Instl.	2.76 to 6.87	4.58	4.12	4.49
Sales	13.07 to 18.80	16.12	16.86	12.00
LT-4a Instl.	1.52 to 14.15	5.47	4.00	4.00
Sales	-4.34 to 33.56	7.75	1.40	10.00
LT-5 Instl.	3.48 to 6.82	5.32	4.59	5.00
Sales	-0.54 to 5.83	2.53	1.74	5.00
LT-6 WS Instl.	2.73 to 11.86	7.42	5.67	6.00

Sales	-1.17 to 26.50	8.12	2.40	15.00
LT-6 SL Instl.	0.28 to 12.32	5.70	5.20	6.00
Sales	-8.93 to 79.59	12.99	3.99	12.00
HT-1 Instl.	0 to 7.27	4.88	3.77	5.80
Sales	0.75 to 9.31	6.19	7.33	7.01
HT-2a Instl.	14.25 to 20.41	17.44	17.16	20.00
Sales	-11.01 to 38.81	15.04	5.83	5.00
HT-2b Instl.	6.84 to 15.22	9.68	7.89	9.96
Sales	-8.67 to 26.62	8.21	7.45	9.99
HT-4 Instl.	-12.90 to 6.90	0	4.66	3.03
Sales	4.74 to 11.49	8.16	6.85	10.04
Total Instl.	2.69 to 6.71	3.87	4.29	4.24
Sales	1.16 to 25.20	9.69	4.56	9.81

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

a. LT-1: GESCOM 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		

b. LT-2a: While normal growth rate is estimated for the number of installations, considering the past trends the growth rate of 15.00% for sales seems to be on higher side. This also indicates that the specification consumption has increased. This shall be clarified in the light of DSM programs being initiated by GESCOM.

- c. **LT 4a: GESCOM** shall furnish the specific consumption based on actual data available from Apr-11 to Jan-12.
- d. **LT-6 W/s:** Sales growth rate of 15.00% appears to be on higher side considering the negative growth rate is the past two years ie FY10 & FY11.
- e. **LT-6 Streetlights:** Specific consumption/kW/month of connected load as per FY-12 actual meter readings shall be furnished.
- f) **HT4:** Considering the past trends, sales growth rate of 10.04% for FY13 is on higher side.
- g) 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:

GESCOM 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 GESCOM 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.

4) Distribution Losses for FY13:

GESCOM has proposed distribution loss of 19.5% for FY13 as against an actual distribution loss of 22.06% achieved during FY11. The Commission in its Tariff Order dated 28th October 2011 had fixed distribution loss target of 21% for FY12 as approved in the MYT order dated 28th October 2011. The proposal of GESCOM indicates a reduction of 1.50% from the target loss fixed by the Commission.

Considering the substantial CAPEX programmes taken up by GESCOM in the past two years, the proposed loss reduction should have been more than 1.50%. GESCOM is requested to review its distribution loss level proposals duly considering its CAPEX programmes.

5) Observations on items of ARR:

i) O & M expenses:

GESCOM 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 Rs.306.45 Crores. The approved O & M expenses for FY12 Rs.247.53 Crores. GESCOM shall furnish reasons for increase sought in the O & M expenses by 23.81%.

ii) Funds towards consumer relations / consumer education:

GESCOM has not indicated any amount for funds towards consumer relations / consumer education. The Commission had approved Rs.0.50 Crores for towards consumer relations / consumer education for FY12. GESCOM shall indicate the amount set apart to meet the objectives set by the Commission in its Tariff Order dated 28th October 2011. Further GESCOM 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 GESCOM 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.

7) 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 GESCOM 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)	441	465	-5.44%
LT2(a)(II)	441	470	-6.58%
LT 2 (b)			
LT2(b)(I)	441	724	-64.17%
LT2(b)(II)	441	673	-52.61%
LT 3			
LT 3(I)	441	765	-73.47%
LT 3(II)	441	749	-69.84%
LT 4 ©, LT 4(b)	441	271	38.55%
LT 4 (d), LT 4©	441	227	48.53%
LT 5			
LT 5(a)	441	636	-44.22%
LT 5(b)			
LT 6(a)	441	480	-8.84%
LT 6(a)	441	481	-9.07%
LT 7	441	874	-98.19%
HT 1	441	504	-14.29%
HT 2 a			
HT 2(a)(I)			
HT 2(a)(II)	441	607	-37.64%
HT 2 b			
HT 2(b)(I)			

HT 2(b)(II)	441	781	-77.10%
HT 3 a			
HT 3(a)(I)	441	237	46.26%
HT 3(a)(II)	441	202	54.20%
HT 3 b			
HT 4			
HT 4(a)	441	1079	-144.67%
HT 4(b)	441	532	-20.63%

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

8) Other Observation:

- i) CAPEX proposed for FY12 and FY13 is Rs.572.70 Crores and subsequently revised to Rs.280.19 Crores and Rs.466.67 Crores. The capital expenditure likely to be incurred in FY12 and FY13 are shown as Rs.396.15 Crores and Rs.300.00 Crores respectively. Mentioning Rs.250.00 Crores and Rs.220.00 Crores as work in progress balances for FY12 and FY13, with the above proposed CAPEX needs justification. The matching fund for the proposed CAPEX may also be indicated.
- ii) The proposed expenditure under professional charges head for FY13 is Rs.12.88 Crores. Justification for proposing such huge expenditure shall be furnished.
- iii) The Asset and Liability figures under A2 format for FY12 and FY13 are not tallied. The same shall be rectified and resubmitted.
- iv) In the prayer made by GESCO, it is requested to approve uniform tariff increase of 73 paise per unit to all categories of consumers except BJ/KJ and IP sets. It is observed from the details furnished in D21 format that the increase in tariff proposed for LT6 (Water supply tariff) is 44 paise per unit, HT3 (b) 124 paise per unit and HT2(a) upto one lakh units 44 paise per unit and above one lakh 14 paise per unit and for all

other categories proposed increase is 75 paise per unit. Discrepancy made in tariff proposal needs correction.

v) Half yearly accounts for the period ending 30.09.2011 may please be furnished.

KARNATAKA ELECTRICITY REGULATORY COMMISSION

NOTE

NO.B/06/12/

Dated: 6th February 2012

1. GESCOM 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

