

1. INTRODUCTION

The Karnataka Electricity Regulatory Commission has entered the 4th year of functioning after it was established in November 1999. This year the Commission has continued its efforts to consolidate the gains achieved so far in setting up a fair, transparent and objective regulatory process in Karnataka. The present annual report, the 4th of the Commission, presents the activities of the Commission during FY03. This report also includes, wherever appropriate, information on events/actions subsequent to 31.03.2003 and up to the date of preparation of this report to provide a coherent account of the functioning of the Commission. As in the previous report, this annual report also devotes a chapter to an earnest and honest attempt to review how far the Commission has achieved the goals it set for itself for the year under review.

1.1 The Commission

The Commission is headed by Sri Philipose Matthai as Chairman and Sri H.R. Gopal and Smt Nalini M.K.Menon as Members. Sri Philipose Matthai and Sri H.R. Gopal assumed charge on 15.11.1999. Smt Nalini M.K.Menon joined the Commission on 01.07.2000. Sri H.R.Gopal has retired on 10.04.2003 and Smt. Nalini M.K.Menon will retire on 30.06.2003.

1.2 The Commission's Office

The Commission's Office is headed by the Secretary, Sri R. Sridharan, IAS, who assumed office on 07.10.1999. The organisational chart is given in Annexe 1.

1.3 Commission Meetings

In FY03, eight formal meetings have been conducted by the Commission and a number of issues were discussed and actions were taken on many matters. In addition to these formal meetings, the Commission held several informal meetings to discuss various issues. Several other matters were decided by circulation of relevant files.

2. PROGRESS REPORT ON WORK PROGRAMME FOR FY03

In the following paragraphs, the progress against the programme planned for FY03 and other works carried out is highlighted:

2.1 ERC of KPTCL & ESCOMs and Tariff Order

KPTCL & ESCOMS filed the ERC for FY04 on 30.11.2002. After following the due procedures as per the KERA, the Commission has passed a combined Tariff Order for KPTCL/ESCOMs on 10.03.2003 within the stipulated time of 90 days.

2.2 ERC of Hukkeri Rural Co-operative Society

Hukkeri Rural Co-operative Society has to file their ERC before 30th November every year. However in the current year, the above society had asked for extension of time till 31.12.2002. The Commission had agreed to the above and the Society filed the ERC within the extended time. The Commission has approved the ERC and has passed Orders on 28.03.2003.

2.3 Review of performance of ESCOMs

As part of the corporatisation and privatisation programme, four distribution companies have been formed and have become functional from 01.06.2002. The Commission feels that as the new companies are of a small and manageable size, a focused approach towards many issues would be possible. To review the performance of ESCOMs, the Commission has devised monthly review formats. Several monthly review meetings with the ESCOMs have also been held in FY03.

2.4 Regulations and codes

During the year, the Commission has published the KERC (Second Appellate Authority) Regulations, 2002. A copy of the Gazette notification pertaining to the above is placed at Annexe 2. These Regulations provide that the second appeal in cases of supplemental bills raised by Licensees will be to an independent body, outside of the Licensee's organisation, instead of to an officer/(s) of the Licensee. The Commission has also notified the Overall Performance Standards related to Electricity Supply and Distribution. A copy of the gazette notification is placed at Annexe 3. Further, Standards pertaining to Transmission and Distribution has also been issued. The Commission has issued Grid Code, Distribution Code, Metering Code and Safety Standards in April 2003.

2.5 Power Purchase Agreements

1. During the year, the Commission has passed an Order with respect to PPA between JTPCL and KPTCL. This order has been challenged by JTPCL in the Hon'ble High Court and is pending with the Court for disposal.
2. In FY03, the Commission also passed an Order relating to PPA between KPTCL and KPCL for RTPS units. This Order has been challenged by KPCL in the Hon'ble High Court and is pending with the Court for disposal.
3. The Commission has passed Orders relating to PPA between KPTCL and KPCL for existing Hydro Projects of KPCL and also the PPA for Almatti Dam Powerhouse in April 2003.
4. The Commission has approved 10 PPAs pertaining to NCE projects in FY03.

2.6 Cost of Service Study

Due to the paucity of data, the Commission could not firm up estimates on Cost of Service to different customer classes. The Commission has concluded that data for this purpose needs to be collected on a continuous basis in order to capture the changing load profiles of consumers. All other data required have also to be updated continuously. Substantial organisational capacity has to be built-up in the Licensees for this purpose. In view of this, the Commission has written to GOK to include the required organisational capacity building in the revised Terms of Reference of the Government's Consultants.

2.7 Methodology of estimation of IP set consumption

The Commission has proposed modifications to the methodology adopted for estimation of IP set consumption and the same has been communicated to ESCOMs vide letter no. I/11/02/1830 dated 07.11.2002 for implementation. Further the Commission has directed the ESCOMs to meter all IP sets connected to the sample DTCs so that the LT loss can be estimated more accurately. Only HESCOM had responded in the matter stating that they have certain field problems for implementation. The Commission vide its letter no. I/06/2003-04/622 dated 16.04.2003 has informed all the ESCOMs to sort out the field problems at their end and implement the above methodology for estimation of IP set consumption immediately. None of the ESCOMs have responded in the matter so far.

2.8 Electricity Consumer Network (ECON)

1. ECON has filed an application for registration under the Societies Registration Act in January 2003 before the Registrar of Societies.

2. The Executive body of ECON met four times during the year and discussed various aspects of the power sector in the state including ERCs filed by KPTCL and ESCOMs.
3. ECON's advisory panel has met on 03.01.2003 to review ECON's progress and to suggest ways and means for the development of ECON.
4. ECON had organised a one-day programme in association with Prayas, Pune, to sensitise its members to intervene in electricity matters in the state.
5. ECON and OCA jointly conducted a random survey of electricity consumers. The findings of the survey were sent to all consumer organisations, Licensees, World Bank, Prayas and others.
6. In the meanwhile, USAID has studied the ECON's activities and is considering the request for extending financial assistance to ECON.

2.9 Generation Tariffs

The Commission has requested the Government to entrust the Government's consultants with a study relating to framing regulations for determination of tariff of generating companies. A Copy of the background note prepared in this connection is placed at Annexe 4.

2.10 Establishment of Long term Tariff Principles

In the light of the formation of new distribution companies, and to foster the privatisation process, the Commission has initiated a consultation process on long-term tariff principles, so as to establish a Multi Year Tariff regime for distribution companies in Karnataka. The Commission has prepared a discussion paper on Multi Year Tariff (MYT) with the assistance of TERI, New Delhi. The discussion paper has been issued by the Commission in April 03 inviting comments and suggestions from various experts, Government, Licensees, consumer organisations etc and they have been requested to

provide the comments before 31.05.2003. The Commission has raised the following issues in the discussion paper:

- i) What should be the objectives of a MYT?
- ii) What are the various types of a MYT and how would they achieve the objectives of introducing a MYT?
- iii) What should be the objectives of a MYT for the public sector? What should be the components of such a MYT?
- iv) What should be objectives of a MYT for the private sector? What should be the preconditions for successful introduction of a MYT in the private sector? What are the components of such an MYT?
- v) What should be the respective roles of the market, the Government and the regulator in the introduction of an MYT for the private sector? What changes are required in the present institutional arrangements, including legislative changes?
- vi) To what extent can a MYT system be completely automatic and to what extent is it necessary to build in flexibility in the system?

2.11 Second Appellate Authority

In exercise of the powers vested in it, under Regulation 3 (1) of the KERC (Second Appellate Authority) Regulations, 2002, the Commission has constituted the Second Appellate Authorities with their head quarters at the following places:

Name of the Authority	Jurisdiction	Head quarters
Second Appellate Authority, Bangalore	Appeals arising from the decisions of First Appellate Authority of BESCO	Bangalore
Second Appellate Authority, Mangalore	Appeals arising from the decisions of First Appellate Authority of MESCOM	Mangalore
Second Appellate Authority, Hubli	Appeals arising from the decisions of First Appellate Authorities of HESCO & GESCOM	Hubli

Also the following persons have been appointed to the above authorities for a period of one year from the date of assumption of their offices vide gazette Notification dated 17.12.2002:

Name of the member	Status	Head quarters
Sri T.P. Nambiar, Retd., District Judge, Bangalore	Judicial member	Bangalore
Sri B.T. Jnaneswara, Chief Engineer, Elec., Retd, Bangalore	Tech. member	Bangalore
Sri H. Umesh Shetty, Retd., District Judge, Mangalore	Judicial member	Mangalore
Sri B.V.Gopalakrishna, Suptg, Engineer, Elec., Retd., Shimoga	Tech. member	Mangalore
Sri V. G. Mahajan, Retd., District Judge, Dharwad.	Judicial member	Hubli
Sri S.R. Rajagopal, Chief engineer, Elec., Retd., Hubli	Tech. member	Hubli

2.12 Power Purchase from NCE sources

The Commission has prepared and circulated a draft paper on power purchase from NCE projects. Comments were received by the Commission from experts in the field. Since the Licensees and the Government did not

respond to the draft, a meeting was convened with them on 10.04.2003 to ascertain their views. After deliberations on the subject, the Commission decided that Government be requested to clearly specify the policy in this regard. A copy of the letter addressed to Government in this connection is placed at Annexe 5.

3. PROCEEDINGS AND DECISIONS OF THE COMMISSION

3.1 Licensing

As part of the reform policy, the Government of Karnataka (GOK) notified the Second Transfer Scheme effective from 01.06.2002. Under this transfer scheme, KPTCL has been unbundled into a Transmission Company and four Distribution Companies with effect from 01.06.2002. KPTCL has been entrusted with the responsibility of carrying out the Transmission and Bulk Supply activity and the four Distribution Companies namely Bangalore Electricity Supply Company Ltd (BESCOM), Mangalore Electricity Supply Company Ltd (MESCOM), Hubli Electricity Supply Company Ltd (HESCOM) and Gulbarga Electricity Supply Company Ltd (GESCOM) (collectively known as ESCOMs) have been entrusted with the Distribution activity. Consequent to the unbundling and formation of new companies, the Commission has issued Licences to these companies, which is discussed in the following sections.

3.1.1 Licence to KPTCL

KPTCL initially held two Licences granted by the Commission namely – Transmission Licence and the Supply (both Bulk & Retail) Licence, both valid for the entire state of Karnataka. With the formation of the distribution companies, KPTCL in their letter dated 20.05.2002 requested the Commission to assign the Retail Supply Licence to the four newly formed companies. In the Commission's order dated 29.05.2002, KPTCL's Retail Supply Licence has been assigned to the four ESCOMS and it was indicated that consequential amendments to the KPTCL Supply Licence will be issued by the Commission separately. Accordingly, the Commission issued necessary amendments to the KPTCL Supply Licence vide Commission's Order dated 17.07.2002 and this Licence has now been designated as "Bulk Supply Licence". Thus KPTCL now holds two

Licences namely- Transmission Licence and the Bulk Supply Licence issued by the Commission, both valid for the entire state of Karnataka.

3.1.2 Licences to ESCOMs

1. KPTCL vide their letter dated 20.05.2002 had requested the Commission to assign the Retail Supply Licensee to the new ESCOMs formed as part of the unbundling and restructuring policy of GOK. In order to enable the newly formed ESCOMs to function from 01.06.2002, the Commission acted swiftly and sought clarifications from KPTCL on the commercial arrangements vide KERC letter no. R03/2/809 dated 22.05.2002 and further discussed in a meeting with KPTCL on 22.05.2002. The Commission issued Order on 29.05.2002 assigning the Retail Supply Licence to ESCOMs for an initial period of three months, with necessary modifications to the licensing conditions. In the said order, the Commission directed the ESCOMs to make application for issue of regular Licence, duly following the procedure therefor, well before the expiry of the three months period.

2. As per the direction of the Commission, the ESCOMs applied for issue of regular Licence which has been received by the Commission on the following dates:

- a. BESCOM: 21.08.2002
- b. MESCOM: 29.08.2002
- c. HESCOM: 19.07.2002
- d. GESCOM: 20.08.2002

3. The ESCOMs requested the Commission to extend the validity of the existing Licences till such date as the applications for regular Licences were disposed off by the Commission. The Commission felt that disposal of the applications made by the ESCOMs for Retail Supply Licences would take some time due to the time required for publication, receiving of objections, conducting hearings

and passing Orders. Hence the Commission extended the validity of Licences issued to the ESCOMs by four more months from 01.09.2002 vide its Order dated 29.08.2002 and for a further period of one month vide its order dated 26.12.2002.

4. The Commission in its letter no. R03/2/1535 dated 17.09.2002 informed the ESCOMs to publish notification in the News papers inviting objections, if any, as required under regulation 9(1)(a) of the KERC (Licensing) Regulations. All the ESCOMs published the notifications inviting objections. Three objections from HESCOM area and two from MESCOM area were received.

5. The Commission held a meeting with the GOK, KPTCL, BESCO and PricewaterhouseCoopers (GOK Consultants) on 18.10.2002 regarding various amendments to the licensing conditions proposed by ESCOMs.

6. After conducting a public hearing in the matter on 19.12.2002, the Commission has issued regular Retail Supply Licence to the ESCOMs for a period of five years with effect from 01.02.2003 vide Order dated 29.01.2003.

3.2 Regulations, Codes and Standards

Following Regulations, Standards & Practice Directions were approved by the Commission in this year

3.2.1 Karnataka Electricity Regulatory Commission (Second Appellate Authority) Regulations, 2002

1. The KERC (ES&D) Code 2000-01 specifies the first & second appellate authorities before whom appeals may be preferred by either the consumer or the Licensee. Para 44.09 of the said Code provides that the second appellate

authority would be the authority designated in this connection by the Licensee or a specially empowered authority (from outside the Licensee) if approved by the Commission. Further the said code provides that detailed practice directions indicating the eligibility requirements of the specially empowered authority's appointment and procedural guidelines are to be issued by the Commission. The Commission is conscious of the need to establish independent machinery for deciding such disputes and such machinery set outside the Licensee's organisational structure would ensure impartiality in deciding the disputes. In this context, the Commission published the draft of these Regulations for public suggestions and comments. KPTCL responded to the draft vide letter no. KPTCL/B 29/2659/2001-02 dated 31.12.2001 requesting the Commission to drop the above proposal. After considering all the comments and suggestions received, the Commission approved these Regulations, which has been gazetted on 26.09.2002. The Regulations cover the following:

- a. Establishment, constitution & jurisdiction of the Authority
- b. Qualifications & term of appointment of Members
- c. Procedure of the Authority
- d. Finance
- e. Finality of the decisions of the Authority
- f. Power to remove difficulties
- g. Power to dispense with the requirement of the Regulations

2. The Commission amended the KERC (Second Appellate Authority) Regulations 2002 vide notification no. D/01/02/1985 dated 17th-December-.12.2002. According to the amendment all pending appeals pending before the designated authorities of Licensee as on the date of commencement of these Regulations shall stand transferred to the respective Second Appellate Authorities constituted under the above regulation. The Commission in its notification no.D/01/02/1983 dated 17th-December-.12.2002 has appointed members of the Second Appellate Authorities.

3. HESCOM has filed writ petition (W.P.no.17047-48/2003) in the High Court of Karnataka challenging the above notifications dated 26th-~~September.09.~~2002 and 17th-~~December.12.~~2002. The High Court of Karnataka in its Order dated- 09th-~~April-.04.~~2003 has stayed the functioning of the Appellate Authority for a period of 10 weeks.

3.3 Codes

Regulation 22 of KERC (Licensing) Regulations, 2000, provides for the Licensee to adopt the model conditions of supply of power and for operation and maintenance of power systems and electric supply lines and such other codes and standards as may be framed by the Commission from time to time. Besides, according to the Transmission and Supply Licenses issued to KPTCL/ESCOMs, the Licensee has to arrange for the preparation and approval of the Grid Code and Distribution Standards & Codes. However, KPTCL has not taken any initiatives for the preparation of the same. In order to make the Licensee's task easy, the Commission took up the process of the preparation of the following Codes:

3.3.1 Grid Code

The Commission prepared a draft Grid Code and it was sent to all stakeholders for comments. Based on the feedback received the draft was finalised. The same has been issued for adoption in April 2003 after final interaction with KPTCL & ESCOMs.

3.3.2 Distribution Code

As discussed in the previous Annual Report, the draft code was sent to the newly formed distribution companies for comments. After receiving the feedback from the ESCOMs and other stakeholders, the draft was finalised. After final interaction with the KPTCL/ESCOMs, the same has been issued for adoption in April 2003.

3.4 Standards of Performance

3.4.1 Overall Performance Standards relating to Electricity Supply and Distribution

This standard has been framed with reference to Section 36 of KERA, 1999, read with Condition 22.1 of the Supply Licence granted to KPTCL by KERC. The Overall Standards set herein specify the levels of performance, which the Retail Supply Licensees in Karnataka are required to achieve. The above standards have been gazetted on 31.10.2002 vide notification No. G/10/1/Dated 08~~th~~th ~~October.10.~~-2002. The standards broadly pertains to the following:

- a. Restoration of supply after failure of power supply
- b. Voltage complaints
- c. New connection servicing
- d. Appeal cases
- e. Payment of solatium in case of electrical accidents
- f. Verification of bills
- g. Metering & meter reading
- h. Refunds
- i. Discourteous behavior of staff.

3.4.2 Transmission Standards

As per the licensing conditions of the Transmission Licence, the Licensee is required to prepare the Transmission Planning and Security Standards and the Transmission Operating Standards. In order to speed up the process, the Commission has prepared the drafts of the various Standards with help of the experts in the field. After a detailed consultation process these standards were modified suitably and the modified drafts were sent to KPTCL for comments.

The comments from KPTCL have been received and based on the same the following standards have been issued for adoption on 16.09.2002:

- a. Power Generation Planning and Security Standards
- b. Power Generation Management & Operations Standards
- c. Transmission System Planning & Security Standards
- d. Transmission System Management & Operating Standards

The implementation of these standards is being followed up by the Commission.

3.4.3 Distribution System Standards

The Commission has issued the following Standards:

- i) Distribution System Planning and Security Standards: This Standard specifies the guidelines for achieving the specified reliability level and also to meet the required safety requirements.
- ii) Distribution System Construction, Operation and Maintenance Standards: This Standard specifies the construction practices, operational criteria, load and voltage monitoring and balancing, safety co-ordination and maintenance.

The feedback on the above Standards had been received from the stakeholders. After final interaction with the ESCOMs, the above Standards have been issued for adoption in April 2003.

3.4.4 Safety Standards

Keeping in view the large number of accidents involving Licensees' employees and general public, the Commission felt necessary to give importance to strict

safety standards and insisted on adoption of separate Safety Standards. Accordingly, separate Standards on safety were prepared. This Standard contains general precautions and grounding for protection of employees during maintenance works of transmission and distribution lines and Safety Standards for energised substations. After getting feedback on the above Standards from the stakeholders, the draft was finalised. The above Standards have been issued for adoption in April 2003.

3.5 Amendments to Codes and Regulations

3.5.1 KERC (Electricity Supply & Distribution) (Amendment) Code, 2003

KERC has published the KERC (ES & D) Code in the gazette on 29.03.2001 and amendments on 29.11.2001. The general public and KPTCL have represented to the Commission certain difficulties experienced in the implementation of the said Code as amended. The Commission has considered the issues raised in the representations and prepared draft amendments to ES & D Code, 2000-01 incorporating certain provisions, which are consumer friendly, and simplifying certain procedures. These drafts were sent to KPTCL and ESCOMs for their comments. Based on the feedback received the draft was finalized. Accordingly the Commission approved the KERC (Electricity Supply & Distribution) (Amendment) Code, 2003 and published in the gazette on 16.01.2003. Further amendments to the above Code have been issued on 27.03.2003. A copy of the Gazette notification in this matter is placed at Annexe 6. An abstract of the Consumer friendly provisions in the ES & D Code is placed at Annexe 7.

3.5.2 Code of Practice on Payment of Bills (Amendment), 2002

Amendment to Para no.4 (a)(i) of the Code has been issued. According to the amendment issued the Licensee shall not claim any payment towards short claim for back period beyond 3 years. If there is any excess claim in the past,

the excess amount will have to be credited to the Consumer's account within one month and if there is any delay in giving such credit, interest at 2% per month shall be paid to the consumer by the Licensee.

3.5.3 KERC (Tariff Amendment) Regulations, 2002

The Commission has amended the KERC (Tariff) Regulations vide Notification No. B/12/01/1537 dated 18.09.2002. According to the amendment, where the ERC filing discloses revenue deficit for the ensuing year, the Licensee shall explain how that deficit will be met. It has been made obligatory on the part of the Licensees that in no situation should the ERC be filed without proposing measures adequate for covering any revenue deficit. Further the amendment specifies that the ERC filing shall clearly indicate the steps taken by the Licensees for improvement of its efficiency since the date of Order of the Commission on the previous ERC. A copy of the Gazette notification in this matter is placed at Annexe 8.

3.6 Power Purchase Approvals

3.6.1 Non-conventional sources

During FY03, the Commission received 10 PPAs pertaining to different non-conventional energy projects. The Commission approved all the 10 PPAs. An abstract of the capacity of these 10 projects under different non-conventional sources is given below. A detailed list of the projects for which the draft PPAs have been received and the action taken by the Commission is given in the Annexe 9.

Type of Project	Number	Capacity (MW)
Bio-mass	4	24.00
Co-generation	1	15.00
Small Hydel	4	37.33
Wind	1	7.59
Total	10	83.92

The issue of PPAs executed on or after the date of coming into force of the KER Act, 1999, and for which approval of the Commission was not obtained was discussed by the Commission and it was decided to treat all such agreements [11 PPAs] as void. This has been communicated to KPTCL vide letter dated 13.12.2002. Since the approval of the Commission has not been obtained even subsequently, the Commission has disallowed power purchase from these projects in the Tariff Order 2003. The quantum of energy purchase disallowed from such projects amounted to 190 MU in FY04.

3.6.2 PPA between KPTCL and KPCL for RTPS Unit-7

1. KPTCL had submitted for the approval of the Commission an initialled PPA for RTPS unit 7. Since certain inadequacies existed in that PPA, the KPTCL and KPCL agreed to renegotiate the PPA as indicated in the Annual Report for FY02. KPTCL and KPCL had come to an understanding to have a common PPA for RTPS as a whole (Units 1-7) and KPTCL had submitted the initial draft PPA for approval of the Commission on 11.01.2002. As directed by the Commission, KPTCL published a notice in newspapers calling for objections regarding the PPA on 25th ~~March,03~~.-2002 giving 30 days time for filing objections. However, no objections were received from the public.

2. After holding discussions with KPTCL and KPCL on 16.5.2002, 22.05.2002 and 05.06.2002, the Commission issued its order on the said PPA on 25.07.2002. In the Order, the Commission has revised certain operational and financial parameters and directed KPTCL and KPCL to incorporate the modifications and execute the PPA within 30 days of the Order. It was also directed that the revised tariff for RTPS (units 1-6) will be effective from the next meter reading following the date of execution of the agreement.

3. However the Order of the Commission has been challenged by KPCL in the Honourable High Court of Karnataka vide MFA No. 6225 of 2002. The Hon'ble

Court has passed an interim Order directing KERC and KPTCL not to take any coercive steps based on the KERC Order. The case is pending before the Hon'ble High Court for disposal.

3.6.3 PPA between KPTCL and Jindal Thermal Power Company Ltd. (JTPCL)

1. This PPA was placed before the Commission for approval by KPTCL on 17.11.2000. The Commission after conducting a public hearing passed its order on this matter on 22.05.2002. KPTCL and JTPCL were directed to renegotiate the Tariff based on the guidelines given in the order and come up with a fresh proposal not later than 20.06.2002.

2. KPTCL in its letter dated 21.06.2002 informed the Commission that JTPCL expressed their inability to renegotiate the tariff for the reason that the tariff that was already agreed upon was the barest minimum and JTPCL disagreed with the proposal put forth by the Commission. The Commission after considering the reply of KPTCL and based on the available information passed an Order on 08.07.2002, determining the tariff.

3. However, JTPCL has challenged the above Orders of the Commission in the Hon'ble High Court vide MFA no. 4795 of 2002. The case is pending before the Hon'ble High Court for disposal.

3.6.4 PPA between KPTCL and KPCL for Hydro Stations

KPTCL submitted a PPA on 07.03.2002 for purchase of power from Hydro stations of KPCL. After preliminary examination of the draft PPA, the Commission decided to place the PPA for public hearing and KPTCL was addressed to publish the notice calling for objections from the public. KPTCL published notice in newspapers calling for objections on 23.09.2002 and 24.09.2002. No objections were received from the public. The Commission has issued the Order on the above PPA in April 2003.

3.6.5 PPA for Almatti Dam Power house project between KPTCL and KPCL.

KPTCL submitted a PPA on 11.01.2002 for purchase of power from Almatti Power station of KPCL. After preliminary examination of the draft PPA, the Commission decided to place the PPA for public hearing and KPTCL was addressed to publish the notice calling for objections from the public. KPTCL published a notice in newspapers on 23.07.2002 and 24.07.2002 calling for objections. In response to the notifications, objections were filed by Sri Jayaprakash Hegde, MLA and Mysore Grahaka Parishad. The Commission has heard the Objectors and the Order has been issued in April 2003.

3.7 ERC Filing by Licensees

3.7.1 Karnataka Power Transmission Corporation /ESCOMs ERC for FY03 (Split ERC)

1. The Commission had approved the ERC of KPTCL for FY03 in the Tariff Order dated 08~~th~~ ~~May~~.05.2002, which was prior to unbundling of KPTCL. The Government notified the Second Transfer Scheme with effect from 01.06.2002, whereby four distribution companies (ESCOMs) were formed and distribution business was separated from KPTCL and vested with the new companies. The ESCOMs applied to the Commission for the issue of License for their respective service areas. In the Commission's Order dated 29~~th~~ ~~May~~.05.-2002 on the assignment of Bulk Supply Licence, the Commission directed KPTCL and the ESCOMs to file their ERC for FY03 before 01.08.2002 in such a way that the combined ERC of all the five companies matches with the approved ERC for FY03. On 31.07.2002, KPTCL and the ESCOMs jointly filed a split ERC for FY03 along with a draft Bulk Supply Agreement and Transmission Services Agreement for the approval of the Commission.

2. In the split ERC, KPTCL/ESCOMs had proposed a differential Bulk Supply Tariff to ESCOMs and the Government subsidy was proposed to be directed to KPTCL instead of to ESCOMs. The Commission sought clarification from KPTCL

on the base data used for splitting the ERC among the four ESCOMS as well as on the differential Bulk Supply Tariff proposed by KPTCL. In the meeting held with the Government, KPTCL, PricewaterhouseCoopers (Government's Consultants on Institutional strengthening) and BESCO it was stated that the splitting of figures between the different ESCOMS was done on the basis of division wise data. The Commission was assured that the build up of ESCOM-wise numbers, based on division wise numbers was readily available and that the same would be furnished to the Commission. The Commission decided that this information was necessary in order to assure itself that the base line ESCOM wise numbers were realistic. However, the same has not been furnished by KPTCL/ESCOMs.

3. After examining different aspects in detail, the Commission came to the conclusion that a uniform Bulk Supply Tariff would be appropriate. The Commission issued the Order on the Split ERC for FY03 on 13.11.2002 approving the estimates of revenue and expenses and directing the KPTCL to implement a uniform Bulk Supply Tariff and it was further directed that the Government subsidy shall be received by KPTCL and the same be accounted against amounts receivable from ESCOMS towards power purchase dues of ESCOMS. In the said Order, the Commission also approved the Bulk Supply and Transmission Services Agreements with minor modifications and directed the parties to execute the same within a period of one month. However, copies of the executed Bulk Supply and Transmission Services Agreements are yet to be filed.

3.7.2 Karnataka Power Transmission Corporation and ESCOMS ERC for FY04

1. KPTCL and the four ESCOMS have filed the ERC for FY04 along with Tariff revision proposals to the Commission on 30.11.2002 as required in terms of Section 27 of KERA and KERC (Tariff) Regulations, 2000. After a preliminary scrutiny of the filing, the Commission decided to treat the filings as petitions on 10.12.2002 and informed KPTCL and the ESCOMS to publish the summary of the

petitions of ERC and Tariff proposals in accordance with the Regulation 5(1) of the KERC (Tariff) Regulations, 2000. Accordingly, the KPTCL/ESCOMs published the notices in the newspapers between 14.12.2002 and 17.12.2002 inviting objections and representations. The last date for filing objections and representations was 28.01.2003 in respect of all ESCOMs and KPTCL.

2. The Commission in its letter dated 17.12.2002 communicated to the KPTCL and the ESCOMs the initial observations on the ERC and tariff filings and conducted validation hearings with the companies on matters of compliance to directives, sales forecasts, power purchase and other expenses. Subsequently, all the companies have furnished replies to the various points raised by the Commission during the validation hearings. Many of these responses were found to be inadequate and inaccurate. The Commission pointed out several deficiencies in the responses and sought additional information and clarifications from the KPTCL and ESCOMs. However, despite repeated attempts at seeking clarifications, the Commission found that the information provided was unsatisfactory. Major discrepancies were found in the number of installations, connected load, sales estimation, slab wise consumption, revenue estimation and MUSS consumption. A detailed discussion of the validation process is given in the Tariff Order, 2003. Later, the KPTCL/ESCOMs filed the revised ERC with the Commission. Despite the unsatisfactory nature of the information provided, the Commission has proceeded to come to reasonable conclusions on the basis of the available material on record.

3. The Commission has also consulted the Advisory Committee on the ERC and Tariff filing at a special meeting convened for this purpose on 29.01.2003.

4. The Commission has received 6212 objections in total from the various sections of the consumers as shown below.

Companies	In proper Format	Others	Total
KPTCL	12	-	12
BESCOM	679	29	708
MESCOM	5325	22	5347
HESCOM	112	16	128
GESCOM	17	-	17
TOTAL	6145	37	6212

5. In view of large number of objections, and also in view of the short time available for the Commission to complete the hearings (around 40 days from the last day for receiving objections to the deadline fixed under the Act to pass final orders), the Commission considered it appropriate to issue a notice by publication in newspapers calling upon the objectors to present themselves, in case they were interested, at the time of hearing. Thus the Commission dispensed with the service of individual notices to the objectors, by following Regulation 24(1)(e) of KERC (General & Conduct of Proceedings), Regulations, 2000. In the notice, the Commission indicated that, in the public hearings, it would hear the public representatives like Members of Parliament, Members of Legislature and thereafter hear the arguments of those Consumer Groups/Associations/ Institutions/Companies who would be present at the time of hearing and in case the individual objectors were to be present, they would be heard at the end on a representative basis. The public hearings were held in the head quarters of ESCOMs/KPTCL (Bangalore, Mangalore, Hubli, Gulbarga) besides in Thirthahally and Mysore.

6. In the filing the KPTCL had projected the revised revenue gap for FY03 as Rs.164.68 crores as against a surplus of Rs. 6.69 crores approved in the Split ERC. KPTCL has stated in the filing that the total gap is to be divided between Hukkeri Society and the Distribution companies as Rs. 18.52 crores and Rs. 146.16 crores. KPTCL has requested the Commission to approve a 'BST Special Appropriation Charge (SAC)' of 5.24 paise/kWh on the sales to be made in

FY04 to the ESCOMs to recover this deficit. The ESCOMs themselves have in addition projected a revised total revenue gap of Rs. 267.97 crores for FY03.

7. The Commission issued Tariff Order 2003 on 10.03.2003 covering the ERC and Tariff filing of KPTCL and all the four ESCOMs. The Commission in the Order has stated that the actual revenue deficit for FY03 would be known only at the end of the year and with the available information the Commission is not able to determine with definiteness the additional burden that can be justifiably passed on to the consumers and has advised the ESCOMs to approach the Commission as and when the FY03 actual figures are available. The Commission has stated that it will review the same duly considering the efficiency norms and other parameters fixed in the Tariff Orders.

8. For FY04, the KPTCL has projected a revenue gap of Rs. 588 crores. The projected revenue gap is mainly on account of the pessimistic projection of hydro availability for FY04. The Commission has approved the power purchase cost of Rs. 5439.04 crores for 29946 MU against the KPTCL's projection of Rs. 6046.91 crores for the same energy. The Commission has disallowed the provision of interest on power purchase of Rs. 120 crores and adopted a hydro availability based on 10 years moving average. The Commission has revised the BST as 193.57paise /kWh and made the same applicable to all ESCOMs and Hukkeri Society uniformly.

9. As against T&D loss of 30.62% proposed by KPTCL/ESCOMs in the ERC for FY04, the Commission has allowed a T&D loss of 28% to be passed on to the consumers through tariff.

10. The Commission has approved the transmission expenses for FY04 as Rs 525.19 crores against the Rs. 542.59 crores proposed by KPTCL thereby not passing through the bonus and free supply of electricity to employees in the tariff as per the policy set in the earlier Tariff Orders. The Commission has

determined the transmission tariff as 18.67 paise/kWh for FY04, applicable to ESCOMs and Hukkeri Society uniformly.

11. The total revenue gap projected by the ESCOMs for FY04 was Rs. 2070.05 crores before subsidy. The Government has made a provision of Rs. 1480 crores towards subsidy for FY04. After considering the government subsidy, the ESCOMs had proposed a tariff revision of 10.5% to fetch Rs. 590.06 crores to balance the gap. The Commission revised the revenue gap to Rs.1241.96 crores for all the ESCOMs considered together, after considering the revised BST and Transmission tariff and approved distribution expenses. Taking into consideration the revenue gap of Hukkeri Society of Rs. 15.27 crores, the total revenue gap for the sector in FY04 was estimated as Rs. 1257.23 crores. The average cost of supply which was Rs. 3.31/kWh for FY03 as determined by the Commission in the Tariff Order, 2002, has increased to Rs. 3.41/kWh in FY04 showing an increase of 10 paise.

12. Considering the increase in the average cost of supply, the Commission has approved a tariff increase of 10 paise/kWh for all metered categories (except for first slab of LT3). The estimated additional revenue is Rs. 113.45 crores. The estimated revised revenue gap after tariff revision is Rs. 1143.49 crores for ESCOMs and Hukkeri society which is expected to be filled by appropriation of equal amount of subsidy out of the total subsidy of Rs. 1480 crores available from the Government.

13. The Cost coverage by different consumer class is placed at Annexe 10. It is noted that as per the Tariff Order 2000 the domestic category, BJ, water supply -rural, Public lighting (rural and urban) and IP sets were recovering less than the average cost of supply. These categories were mainly cross subsidised by the HT category and LT commercial and industrial categories apart from meeting the overall shortfall from subsidy from the GOK. In Tariff Order 2002, tariffs for domestic category, water supply and public lighting were brought to the level of the average cost of supply, whereas the cost coverage in case of BJ

category was raised to 50% and that of IP sets to about 21%. In Tariff Order 2003 all the categories except BJ and IP sets have continued to pay equal to or more than the average cost of supply, while the tariffs in respect of BJ and IP categories have remained unchanged. Since all the categories except BJ and IP sets are made to pay the average cost of supply, any further rebalancing would be possible only by increasing tariffs to BJ and IP sets. In respect of other categories who are presently paying the average cost of supply, any tariff increase may be only to cover the increase in the average cost of supply in future.

3.7.3 Wheeling Tariff

1. In the ERC, ESCOMs have made a proposal for wheeling charges for the approval of the Commission. The proposed wheeling charges consist of a 'kind' payment and a 'cash' payment. The payment in kind consists of energy losses in the system of 26.8% of the energy wheeled. The cash portion consists of use of system charges to be paid to KPTCL/ESCOMs at the rate of 19.4 paise/kWh as transmission charges and 43.10 paise/kWh towards distribution charges. Objections were received from various consumers as well as non-conventional energy project developers. After hearing various arguments and considering the proposal in detail the Commission has decided the wheeling tariff as follows:

2. Payment in kind of 6% towards transmission losses and 12% towards distribution losses and payment in cash per kWh to KPTCL of 18.67 paise/kWh, BESCO at 10.58 paise/kWh, MESCOM at 16.44 paise/kWh, HESCO at 13.35 paise/kWh and GESCOM at 13.58 paise/kWh. The Wheeling charges is to be paid in such a way that a generator in ESCOM 'A' wheeling to consumer in ESCOM 'B' have to pay net work charges (both in cash and kind) of KPTCL, ESCOM 'A' and ESCOM 'B'. A generator wheeling to consumer in the same ESCOM has to pay charges (cash and kind) of KPTCL and the concerned ESCOM.

3. The Commission also directed the KPTCL/ESCOMs to submit within one month a detailed draft wheeling and banking agreement to the Commission. As some of the generating companies have earlier appealed to the High Court against KPTCL on the wheeling charges, the Commission has made it clear that the wheeling charges determined by the Commission shall not be applicable to the cases which are before the High Court and also to contracts concluded before the KERA came into force where specific provisions in respect of wheeling charges are made.

3.7.4 Hukkeri Rural Electric Co-operative Society ERC FY03

1. The Hukkeri Rural Electric Co-operative Society (HRECS) has filed its ERC for FY03 before the Commission on 18.12.2001. The Society in its letter dated 12.04.2002 had requested the Commission to allow it to file its revised ERC for FY03 after approval of the revised tariff of KPTCL, which was agreed to by the Commission. Accordingly, the Society filed its revised ERC for FY03 on 11.06.2002. After verification of the ERC, the Commission convened a meeting with the Society on 03.07.2002 to discuss the discrepancies and additional information required. Additional information sought by the Commission was provided by the Society on 23.07.2002. The Commission passed orders on the ERC on 22.08.2002. In the Order the Commission has noted the good performance of the Society in the areas like metering, DC & MNR, Transformer failures etc. but felt that there is still scope for further improvement in the operations of the Society and directed that the Society shall make efforts to reduce the T & D losses, reduce transformer failures to less than 10% and DC & MNR installations to less than 1 % for FY03.

2. The total estimated sales in FY03 as approved by the Commission was 117.72 MU as against 128.94 MU estimated by the Society. This was an increase of 4.1% over the actual sales of previous year. The Society estimated the T&D loss in FY03 as 16.5%. The Commission approved a T&D loss level of 15.5 % for

FY03, i.e. a reduction of 1% over the actuals of previous year. The total revenue estimated by the Licensee for FY03 was Rs. 1637.77 lakhs. The subsidy due from Government on account of IP sets was estimated at Rs.99.6 lakhs in terms of Government notification No. DE 68 PSR 2001 dated 24.6.2002. The Commission has accepted the revenue estimate of the society. The total expenditure, other than power purchase cost, estimated by the Society was Rs. 616.54 lakhs, against which the expenditure approved by the Commission is Rs. 519.40 lakhs.

3. The Commission in its tariff order dated 8.5.2002 had ordered that the Tariff for the Hukkeri Society be raised from 58.18 paise per unit to 75 paise per unit provisionally subject to passing orders on the ERC of the society for FY03. However, after considering the amount of Rs. 99.60 lakhs being the subsidy due from Government to the Society towards IP sets, the amount available with the Society for power purchase from July 2002 to March 2003 was estimated to be Rs. 915.74 lakhs. Accordingly, the tariff that can be paid by the Society works out to 87.63 paise per unit. After providing for marginal variations in revenue computations and other estimates, the Commission determined the tariff for power supply by KPTCL to Hukkeri society as 85 paise per unit effective from 01st ~~July.07.~~-2002. The Commission also directed KPTCL to claim the subsidy amount due from Government for Hukkeri Society and adjust the same against power purchase bills payable by the Society to KPTCL. The Commission ordered that out of the tariff of 85 paise per unit, the KPTCL is to claim 75 paise per unit from the Society and the balance of 10 paise per unit is to be adjusted by KPTCL out of the subsidy claimed from Government on behalf of the Society.

3.7.5 Hukkeri Rural Electric Co-operative Society ERC FY04

1. Hukkeri Society has requested the Commission to grant extension of time for submission of ERC and after considering the request of the society, the Commission granted time till 31.12.2002. The Society has furnished the ERC within the time granted by the Commission. After reviewing the ERC the Commission has noted some discrepancies and lack of information and asked the Society to provide clarifications. The Society in the mean time revised the

ERC vide their letter dated 14.01.2003 and furnished the clarifications vide letter dated 16.01.2003.

2. The Society has estimated the ARR as Rs. 1570.15 lakhs and projected distribution loss of 15.42% for FY04. The Commission has approved a loss level of 15% for FY 04 and also revised the sales estimates to 117.07 MU from 117.31 MU proposed by the Society. The approved energy input to the Society for FY04 was 137.73 MU as against the projection of 138.70 MU by the Society. The Commission estimated the ARR for the Society for FY 04 as Rs.3433.10 lakhs considering the uniform BST and transmission charges determined in the Tariff Order 2003 and approved estimates of other expenses. The Commission has also re-estimated the revenue from sale of power at existing tariffs for the Society considering the charges for IP sets, miscellaneous income (Rs.105.90 lakhs) and revised the estimated sales revenue as Rs. 1865.20 lakhs compared to the Society's estimate of Rs. 1561.84 lakhs. The revenue from revised tariffs for the Society for FY04 has been estimated by the Commission as Rs. 1970.24 lakhs. The revised revenue gap for the Society for FY 04 would be Rs. 1462.86 lakhs.

3. After considering the cash flow of the society, the Commission has determined the cash payment by the society for the bulk supply from KPTCL as 100 paise /kWh. The balance of 112.24 paise/kWh (the difference between the approved BST and transmission tariff and the cash payable by the Society) shall be adjusted by KPTCL out of the subsidy provision made by the Government for FY04.

3.8 Review of Licensee Operations

3.8.1 Compliance with Directives by Licensees

In the first two Tariff Orders, the Commission has issued certain directives to improve the efficiency of operation of KPTCL. In order to review the compliance with the directives and ascertain the progress made, several meetings were held with

KPTCL/ESCOMs. The conclusions of the Commission on the compliance with directives are elaborately dealt in the Tariff Order 2003. A few of the directives are discussed below.

3.8.2 MIS and Computerisation

As a follow up action the Commission held several meetings with KPTCL and TCS Officials. Except for implementation of Billing & Collection module (BNC) in BESCOM, none of the other modules have been implemented. Even in BNC, the Commission has noted that several problems still exist. The Commission has noted that implementation schedules furnished have been frequently changed. Further, in the Commission Advisory Committee meeting held on 29.01.2003, KPTCL has stated that the agreement with TCS has been terminated. In view of the above and subsequent to formation of the new ESCOMs, the ESCOMs have stated that fresh efforts in MIS and Computerisation have been initiated. The Commission would keep the progress under continuous review.

3.8.3 IP sets consumption

1. The estimation of the consumption of IP sets is an important issue, which directly determines the level of losses in the system. The Commission in its letter no. I/11/02/1830 dated 07.11.2002 has directed the ESCOMs that in addition to providing sample metering at DTCs, meters should be provided to individual IP sets under the sample DTCs so that actual LT line loss could be checked and IP set consumption could be computed more accurately. The Commission is pursuing the matter with ESCOMs.

2. In ERC FY04, the ESCOMs have projected IP consumption as 8039 MU for FY03 based on LT line loss of 10%, 7.5%, 8% and 4% respectively for BESCOM, MESCOM, HESCOM and GESCOM. However the Commission has estimated the IP consumption as 8007 MU for FY03 considering a LT loss of 8% for GESCOM as against the GESCOM's loss projection of 4%. Further the Commission has noted that the specific consumption has been worked out considering end year

figures for number of installations, which is not correct. The Commission has reworked the specific consumption in FY03 as 6026 MU for the state based on midyear figures.

3. For FY04, the ESCOMs had projected 8118 MU as the IP set consumption. However, the Commission has estimated the IP Consumption as 8395 MU. The variation is due to the wrong specific consumption worked out by the ESCOMs in FY03.

3.8.4 Energy Audit

1. Several review meetings were conducted in this year on compliance with directives on Energy audit. In spite of several meetings/hearings and directions by the Commission for reduction of losses, no tangible measures appear to have been taken by KPTCL/ESCOMs even during this year.

2. In case of 46 towns/cities where energy auditing is monitored by the Commission for the past 3 years, no appreciable loss reduction has taken place. A report on Energy Audit initiatives for this year is enclosed as Annexe 11.

3.8.5 Electrical accidents

1. The Commission in its Tariff Orders 2000/2002 had directed KPTCL to prepare an 'Action Plan' to reduce the accidents by 20%. During FY01, the Commission has taken up suo-motu proceedings in the matter of electrical accidents in the wake of increase in the fatal and non-fatal Electrical accidents in the State. The Commission had clearly stated in the suo-motu proceeding, that tariff is inextricably linked with the operation of the power sector in an efficient manner and efforts to improve safety standards will constitute an important yardstick of efficiency. The ESCOM-wise details of the accidents as at the end of December of each of FY02 and FY03 are as shown below:

ESCOMs	Year	Fatal	Non Fatal	Fatal Animals	Total	Solatum Rs. lakhs
BESCOM	FY 02	65	58	58	181	17.73
	FY 03	66	61	80	207	22.34
MESCOM	FY 02	59	87	122	268	3.48
	FY 03	45	75	106	226	1.26
HESCOM	FY 02	69	41	67	177	7.74
	FY 03	70	54	61	185	7.06
GESCOM	FY 02	30	36	120	186	N.F
	FY 03	36	29	127	192	9.0
Total	FY 02	223	222	367	812	28.95
	FY 03	217	219	374	810	39.66

2. It is seen from the table above that the number of accidents during FY03 is on the increase in comparison with FY02 in all ESCOMs except MESCOM. However for the State as a whole, the accidents have decreased marginally.

3. The intervention of the Commission on the matters of electrical accidents has resulted in prompt payment of solatium and speedy disposal of investigation by Chief Electrical Inspector. KPTCL has also enhanced the compensation for fatal cases to Rs. one lakh from 20.7.2001 onwards.

3.8.6 Incentive scheme

In Tariff Order 2000 the Commission had suggested that KPTCL formulate an incentive scheme for good performance. In the KERC letter dated 4.10.2002, the Commission directed KPTCL/ESCOMs to submit the Incentive scheme for approval of the Commission. KPTCL vide its letter dated 28.10.2002 submitted the proposal to the Commission for approval. The Commission suggested certain modifications to the proposal vide its letter dated 11.12.2002, and directed KPTCL to send the revised scheme after examining and considering the modifications suggested. Till date, KPTCL has not responded in the matter.

3.9 Advisory functions

3.9.1 Privatisation Strategy:

The FDP Consultants of the Government have proposed the Distribution Margin (DM) approach for privatisation of the distribution sector. The Commission had already sent its comments on the above strategy paper vide its letter-dated 30.10.20.01. At the instance of the Commission, the GOK conducted a workshop on privatisation strategy in FY02, which was attended by the Commission. The GOK vide its order No DE 36 PSR 2002 dated 18.11.2002 has accorded In principle approval for the 'Summarised Final Strategy Paper for inviting Private Sector Participation in Distribution of Electricity' and to undertake further steps to invite private sector participation in the newly formed four electricity distribution companies. In the said order, the Government has approved the wide circulation of the above Strategy Paper for information of public. A copy of the above strategy paper is placed at Annexe 12.

3.10 Appeals

During the financial year FY03, 57 petitions/appeals were received by the Commission. Details of the appeals/petitions and also court cases in which KERC is a party is given in Annexe 13. The summary of these petitions/appeals is as follows.

Sl. No.	Nature of petitions/Appeals	Opening balance	Number filed during the year	Disposed	Pending
1.	Petitions regarding back billing, disconnections, repayment of excess security deposits etc.,	9	34	28	15
2.	Review Petitions	0	3	1	2
3.	Appeals under Section 40 of KER Act	3	3	4	2
4.	In the matter of PPAs	0	17	0	17
	Total	12	57	33	36

Note-The 17 petitions with respect to the PPAs are similar in nature and pertains to NCE projects

3.11 Consumer Grievance Redressal

To facilitate redressal of consumer grievances, a Grievance Redressal Officer has been nominated in the Commission's Office. Following is the summary of complaints received by the Commission as at 31.03.2003:

Number of complaints received	562
Number of complaints disposed and closed	377
Number of complaints pending	185

Age-wise analysis of complaints is as follows:

Year	Complaints Received	Complaints Disposed	Complaints Pending
FY00	84	78	6
FY01	123	102	21
FY02	129	90	39
FY03	226	107	119
Total	562	377	185

ESCOM-wise details of complaints received is indicated below:

ESCOM	Complaints Received	Complaints Disposed	Complaints Pending
BESCOM	250	170	80
MESCOM	167	110	57
HESCOM	80	58	22
GESCOM	65	39	26
Total	562	377	185

Nature-wise classification of complaints is as follows:

Sl No	Nature of complaint	No. of Complaints
1	Allegations against staff of the Licensee	31
2	Complaints relating to errors in bills	103
3	Complaints regarding non-payment of compensation for loss of equipments due to voltage surge	15
4	Delay/non-refund of deposits	68
5	Levy of infrastructure charges while sanctioning power supply	14
6	Complaints relating to delay in energising IP sets	5
7	Complaints relating to inadequate load/voltage	55
8	Grievances related to meters	21
9	Complaints about delay in giving power connection	60
10	Suggestions for improving quality of electricity service	49
11	Complaints relating to delay in shifting of poles, meters etc	16
12	Disputes over applicability of tariff	28
13	Allegations about tender procedures	6
14	Complaints about theft/unauthorised use of power	14
15	Complaints about overloading of transformers	17
16	Others	60
	Total	562

A scrutiny of the complaints received was undertaken in order to detect cases of prima facie violation of the KERC (ES &D) Code by Licensees. This disclosed 20 cases where such violations appears to have taken place. The details of these cases are as at Annexe 14. These cases are being followed up by the Commission with the Licensees. In the area of grievance redressal the Commission has been functioning as a facilitator between the Licensees and the consumers, something which has been appreciated generally by the latter.

3.12 Consultancy

The Commission has engaged the services of TERI for preparing a discussion paper on Multi Year Tariff vide its letter no. B/28/01/1929 dated 05.12.2002. TERI had initial discussions with GOK on 07.01.2003 and KERC on 08.01.2003. The initial draft was submitted on 24.01.2003 and subsequently this draft has been revised. TERI had further discussions with the Commission on 25.03.2003 and the final paper has been circulated by the Commission for comments from all stakeholders.

3.13 Others

3.13.1 Important Orders of the Commission.

In addition to the orders discussed in the previous sections, the Commission has issued the following important Orders:

A. Order on 3MMD:

This Order has arisen out of the Commission's observations in Tariff Order 2000 and Tariff Order 2002. The Commission has issued this Order on 24.01.2003 and the summary of the order is as follows:

“It is ordered that only 2 months consumption charges shall be collected from new consumers. The Electricity Supply & Distribution Code 2000-01 provides for collection of additional security deposit vide 30.03 of the regulations from all the consumers, if the security deposit held falls short 3 times the average monthly bill amount of preceding calendar year. However, in case of existing consumers who have not defaulted in payment during the preceding calendar year, additional deposit shall henceforth not be called for till the deposit held falls short of 2 MMD calculated based on the average monthly bill amount of

the preceding calendar year as incentive to prompt paying consumers. When the deposit held falls short of 2 MMD, only then additional deposit to the extent of shortfall up to 2 MMD shall be called for payment in full. Hence, if the consumer fails to make his bill payment within due date in any month, the benefit of 2 MMD gets forfeited. In such case, the Licensee shall serve a notice to the consumer to pay balance amounts, to make up the deposit to 3 months average consumption charge, which shall be paid within one month, failing which the consumer's installations liable for disconnection, as per rules. Necessary amendments to the KERC (ES&D) code 2000-01, will be issued separately, to take effect from 01.04.2003."

B. Order on Rs. 3.25/3.50 Scheme for HT industries:

1. The Commission in its Tariff Order 2002 had ordered discontinuation of the Rs. 3.25 Scheme for HT industries. After issue of the Tariff order, KPTCL submitted a proposal for revision of the special scheme to HT industrial consumers revising the rate to Rs.3.50 per unit vide letter No KPTCL: B36: 4525:F: 2001-02:780-85 dated 12.06.2002. Pending further examination, the Commission approved the proposal of KPTCL for continuation of the special scheme for a period of four months from 01.07.2002 with unit rate at Rs.3.50 as per the proposal of KPTCL, provided the financial condition of the KPTCL/ESCOMS is not affected adversely. The Commission directed that KPTCL/ESCOMS should examine the scheme further and make fresh application before the Commission in the first week of October 2002.

2. In response to the Commission's direction, BESCO has submitted a proposal vide No.BESCO/bc-22/f701/02-03/1938 dated 19.09.02 for continuation of the scheme for a further period of 6 months from 01.11.2002 or till next tariff revision whichever is earlier under the existing terms and conditions and by limiting the allotment under this scheme to 100% of the base consumption. Similar proposals were submitted by HESCO vide letter No. HESCO/HC-5/1202/02-03 dated 05.10.2002, GESCOM vide letter

No. MD/DT/GESCOM/GC-5/02-03/3463 dated 07.10.2002 and MESCOM vide letter no. MESCOM/M8/1701/2002-03 dated 18.10.2002. Further, GESCOM has stated that, many HT consumers are approaching them for continuation of the scheme at the existing rate after October 2002. MESCOM and BESCOM have stated that, in the event of discontinuation of the scheme, HT consumers might revert to wheeling or captive generation resulting in loss of revenue to ESCOMS. Having considered the matter in detail, the Commission in its Order dated 25.10.2002 ordered continuation of the special scheme till next tariff revision with the same terms and conditions and further directed that the allotment under the scheme need not be restricted to 100% of the base level consumption as proposed by BESCOM as such restriction is not in the interest of the objective of the scheme. This was done in order to avoid any changes in the structure of the tariff mid way in the year. The Commission also directed the ESCOMS to submit a comprehensive proposal in respect of the special scheme after detailed analysis considering the various factors along with next tariff revision proposal.

3. The Commission received representations from HT consumers stating that the continuation of the Rs. 3.50 scheme as ordered by the Commission in Order dated 25.10.2002 had not been given effect to by the ESCOMS. The Commission issued notices to ESCOMS to explain the reasons for non-compliance and violation of the Commission's Order dated 25.10.02. The Commission held a hearing in the matter on 19.12.2002. In the meanwhile the ESCOMS had filed applications before the Commission for approval to discontinue the scheme stating that the cost of supply of power has risen to Rs.3.65 per unit and that the Licensees cannot run the scheme without incurring loss. The Commission has issued an Order on the Suo motu notice on 24.01.2003 directing the ESCOMS to maintain the status quo ante till the Commission passes an alternate Order regarding the special scheme.

4. In the Tariff Order 2003, the Commission has noted that the ESCOMs have discontinued the scheme after 30.10.2002 / 30.11.2002 without seeking any revision or modification to the Commission's order dated 25.10.2002.

5. In the Tariff filing for FY04, ESCOMs had proposed a load factor based incentive scheme in place of the existing special scheme.

6. At the validation hearing, ESCOMs were asked specifically as to why the incentive was linked to the load factor. No satisfactory reply for this was provided. The Commission had earlier done a detailed analysis of the change in patterns of consumption of consumers who were availing of this facility. While the objective of the scheme appeared to have been that of attracting back to the grid consumers who were using captive power, the data did not clearly show that this objective had in fact been achieved. The data however showed that there had been a shift from small private generating companies to the grid. It was not clear therefore that the scheme ensured shifting of consumption from captive units to the grid.

7. In Tariff Order 2003, the Commission ordered that the earlier scheme of the ESCOMs that was continued vide the Commission's Order dated 24.1.2003 be discontinued with effect from the date on which the new tariff as per this Tariff Order 2003 is implemented.

8. BESCO has appealed against the order of the Commission dated 24.01.2003 on the Rs. 3.50 scheme in the Hon'ble High Court and the Court in its order dated 29.04.2003 has granted a stay for 8 weeks to the direction issued by the Commission in the order dated 24.01.2003. The Court has further ordered that in the meanwhile if an order is passed by the Commission on the application dated 09.12.2002 filed by BESCO for discontinuation of the scheme, the Commission is at liberty to move the Hon'ble High Court to seek such modification that may be necessary in the facts and circumstances of the case.

3.13.2 Interaction with the Government

The Commission has been interacting with the Government on all major issues and the Government has also giving policy directives in the matter of IP set tariff. Annexe 15 lists the communication between the Commission and the Government on various matters.

3.13.3 Monthly review meetings with Licensees

1. In order to monitor the performance of Licensees, the Commission held several monthly review meetings after the formation of new companies.
2. The Commission has designed and prescribed monthly performance reporting formats for the ESCOMs. The formats are so designed that a complete snapshot of the Licensees' performance is available. The performance is being reviewed with reference to base line indicators relating to the performance prior to the formation of ESCOMs.

3.13.4 KPTCL's objection to the frequent KERC meetings calling KPTCL officials

1. The Commission, in the discharge of its functions under the provisions of KER Act, has held several meetings with KPTCL/ESCOMs in the matters relating to ERC and Tariff filing, Computerisation programme, review of performance, capital expenditure review etc. apart from holding hearings on the various Appeals and Petitions received by the Commission.
2. The MD, KPTCL in his letter No KPTCI/MD/PS/2002-03/B36/6590/F2002-03/59-62 dated 06.02.2003 has referred to the meetings being held by the Commission frequently. He has stated in the said letter that

- i) KERC has been calling officers of KPTCL for various meetings very frequently.
- ii) Consequently, normal functioning of KPTCL is getting adversely affected.
- iii) During the calendar year 2002 the Commission conducted more than 80 meetings with KPTCL officers.
- iv) There is an increasing attempt in KERC to get involved in day-to-day micro management of transmission and distribution sectors.

3. The Commission issued a notice to the MD, KPTCL, calling for replies on various points. KPTCL in its letter dated 11.02.2003 requested the Commission to grant six weeks time to submit the replies. The Commission gave time till 11.03.2003 for providing the replies. In letter dated 11.03.2003, KPTCL has stated that it is their endeavour to cooperate in every possible manner in the regulatory processes of the Commission and requested the Commission not to pursue the proceedings in the matter and they sought further 10 days time to provide replies to the notice in case the Commission is inclined to proceed further. The Commission vide letter dated 14.3.03 had granted 10 days time to KPTCL to furnish reply to the notice. KPTCL in its letter-dated 26.03.2003 has provided a detailed reply to the notice issued by the Commission and has requested the Commission not to pursue the said proceedings. The case posted for hearing on 26.03.2003 has been adjourned and the reply provided by KPTCL is being examined by the Commission for further action.

4. Copies of the following letters are placed at Annexe 16.

- a. MD, KPTCL letter dated 06.02.2003
- b. Notice dated 07.02.03 issued by the Commission to MD, KPTCL.
- c. Reply of KPTCL dated 11.02.2003
- d. Commission's letter dated 13.02.2003

- e. KPTCL letter dated 13.02.2003
- f. KPTCL letter dated 11.03.2003
- g. KPTCL letter dated 26.03.2003

3.13.5 Tariff Policy of Government of India

GOI had sent the report submitted by Working Group on tariff policy for comments from the Commission. The Commission after going through the report has agreed to the Tariff Policy of GOI and has sent a letter in this matter vide letter no. B/13/2/1670 dated 03.10.2002.

3.13.6 Visits by the Commission

During the year the Commission visited the following places:

A. Andhra Pradesh:

1. The Commission visited the Central Power Distribution Company, Hyderabad and Southern Distribution Company in Tirupathi. The Commission noted that in both these places Computerisation of billing and transformer monitoring had been effectively done. Further in Hyderabad, the Commission noted that 24 hour customer care centre has been set up. Also, installation of single-phase transformers and aerial bunched conductors in theft prone distribution areas were being carried out by these companies. The above aspects have been brought to the notice of ESCOMs during the review meetings and the Commission has suggested that ESCOMs consider implementing some of these measures for improving their performance.

2. Also, the Commission noted that Andhra Pradesh has prepared the profile of distribution companies by engaging Consultants. These profiles would be very useful during the privatisation process of the companies. The Commission in its letter to GOK dated 16.10.2002 had requested the Government to initiate action to prepare similar profiles of the ESCOMs in Karnataka also. It is learnt

that this task has been since entrusted by the Government to their Institutional Strengthening Consultants (PricewaterhouseCoopers).

B. Orissa:

The Commission visited Orissa Regulatory Commission to discuss various issues relating to the progress of the reforms and privatisation in Orissa. The Commission specifically noted the initiative of the utilities in identifying and reducing the commercial losses.

C. Raichur, Karnataka:

The Commission held a review meeting with GESCOM at Raichur on 20th and 21st of August and discussed matters relating to energy audit, metering program, vigilance activities, revenue collection, interface metering, computerisation etc. The Commission also visited RTPS.

D. Belgaum, Karnataka:

The Commission held a review meeting with HESCOM at Belgaum on 5th and 6th of August 02 and discussed matters relating to Losses in towns/cities, APDRP program, Computerisation, Vigilance activities, Revenue Collection, Major Capital works etc.

E. Shimoga, Karnataka:

Sri H.R. Gopal, Member visited Shimoga on 02.12.2002 and discussed with MESCOM regarding the procedure for energy audit.

4. ADVISORY COMMITTEE MEETINGS

1. The Commission Advisory Committee was constituted after consultation with Government of Karnataka vide Notification No P/01/0 Dated 03.08.2000 with 18 members. The Commission has gazetted the KERC (Advisory Committee) Regulations, 2000 on 23.11.2000. As per the provisions of section 34 of the KER Act, 1999 and Regulation 3(5) of KERC (Advisory Committee) Regulations 2000, 1/3 of the members shall retire annually. It was also decided to select the members who should retire based on the draw of lot. As a matter of policy it was decided by the Advisory Committee that members chosen for retirement from members of permanent representing organisations such as KPTCL Engineers' Association, and KPTCL Employees Association shall be given reappointment. The following were the members chosen for retirement based on the draw of lot:

- a. Shri K.C.Naikwadi
- b. Shri M.R.Rangaswamayya
- c. Shri M.K.Ramachandra
- d. Shri Ravi Uppal
- e. Shri Y.G.Muralidharan

2. The following members were included to the Advisory Committee with due approval from GOK in place of the above members:

- a. Mr. M.G. Prabhakar, KASSIA, Bangalore
- b. Mr. Ravi Ganapathi, Kodagu
- c. Mr. K.N. Venkatagiri Rao, Consumers Forum, Sagar
- d. Representative of CII, Bangalore
- e. Mr. K.C. Naikwadi, President, KPTCL Engineers Association

Out of the above members, Sri K.C. Naikwadi has been reappointed.

3. Following are the Commission's Advisory Committee members at the end of year FY03:

1.	Mr. Philipose Matthai, Chairman, KERC (Ex-Officio Member)
2.	Mr. H.R. Gopal, Member, KERC (Ex-Officio Member)
3.	Mrs. Nalini M.K.Menon, Member KERC (Ex-Officio Member)
4.	Mr. J Crasta, Managing Director, C.M.Equipment & Instruments (I) (P) Ltd.
5.	Mr.V. Narayana Gowda, President, KPTCL Employees Union
6.	Mr. K.C. Naikwadi, President, KPTCL Engineers Association
7.	Mr. S. Chandrasekharan, Managing Director, Boruka Power Corporation LTD.
8.	Dr. Anant Hulgol, Secretary General, Citizens Forum, Hubli
9.	Mr. M.S. Shankarikoppa, President, State Farmers' Co-ordinatory Committee, Haveri
10.	CMD, KPTCL
11.	Mr. Mune Gowda, Joint Director of Agriculture (Retd.)
12.	Mr. K.N. Jayalingappa, Vice President, Federation of Karnataka Chambers of Commerce and Industry
13.	Major Gen (Retd.). S.G. Vombatkere, Mysore.
14.	MD, KPCL
15.	Mr. M.G. Prabhakar, KASSIA, Bangalore
16.	Mr. Ravi Ganapathi, Kodagu
17.	Mr. K.N. Venkatagiri Rao, Consumers Forum, Sagar, Shimoga.
18.	Representative, CII, Bangalore.

4.1 Brief Account of the Meetings

Four meetings including two special meetings were held during the current Year. Following is a brief account of the issues taken up during the meetings of the Advisory Committee held in this year.

4.1.1 Special Meeting held on 24.04.2002

This meeting was convened as a special meeting to discuss the Tariff Petition filed by KPTCL

4.1.2 6th Meeting of the Advisory Committee held on 25.09.2002

Following are the subjects taken up for discussion in the 6th meeting:

- Discussion on Overall Performance Standards related to electricity supply and distribution
- Discussion on review petition filed by KPTCL against Tariff order, 2002.
- Annual accounts for FY02.

4.1.3 Special Meeting held on 03.01.2003

The Special meeting was convened to discuss the compliance by the Licensees with the directives given in the Tariff Order 2002.

4.1.4 7th Meeting of the Advisory Committee held on 29.01.2003

This meeting was convened to discuss the tariff proposals of KPTCL and ESCOMs.

Minutes of the above Advisory Committee Meetings are presented as Annexes 17.

5. GENERAL REVIEW OF THE POWER SECTOR

5.1 Status of Karnataka Power Sector

1. The electricity sector in Karnataka has been unbundled completely into Generation, Transmission and Distribution. The generation is largely by the Government owned entities viz., Karnataka Power Corporation limited (KPCL) and Visvesvaraya Vidyuth Nigama Limited (VVNL). GOK vide GO No. DE 35 PSR 2000 dated 11.04.2003 has accorded approval in principle for the amalgamation of VVNL with KPCL. A copy of the GO is placed at Annexe 18 . In addition to KPCL and VVNL, there are a few private power-generating companies supplying power to the grid. The Karnataka Power Transmission Corporation Limited is entrusted with Transmission and Bulk supply of power. Under the second transfer scheme, the Distribution of power has been entrusted to Government owned ESCOMs, which have become functional from 1st June 2002. The installed capacity in Karnataka as on 31.03.2003 is as follows:

Installed capacity & share of Karnataka (MW)				
	Hydro	Thermal	Others	Total
KPCL	2683	1470		4153
VVNL	206	128		334
Private Generating Companies		588		588
Cogeneration and Others		155	14	169
Central Projects- share		722		722
Total	2889	3063	14	5966

Source ERC FY04

2. Estimated energy availability with respect to above stations in FY03 is as follows.

Energy availability during FY 03

Source	Energy Available (MU)
KPCL	15508
VVNL	1053
Private companies	3119
Co -Generation	531
Other states	2129
Others	31
Central Projects	6533
Total	28904

Source ERC FY04

It is noted that the estimated energy input in FY03 has decreased by 0.54% over actuals of FY02 input of 29061 MU.

3. The ESCOM wise sales for FY03 is indicated below:

ESCOM	Sales in MU		
	Metered	Unmetered	Total
BESCOM	5568	3605	9173
MESCOM	2585	1522	4107
HESCOM	1476	2286	3762
GESCOM	1104	1509	2613
Total	10733	8922	19655

Source ERC FY04

The above sales are the revised estimates furnished by ESCOMs in ERC FY04. It is noted that the sales to metered consumers as percentage of input is 37%, while the sales to unmetered consumers is 31%. The total sales in FY03 including sales to Hukkeri Rural Electric Co-operative Society would be 19793 MU. By applying the allowed T&D loss of 28%, the input energy requirement should have been 27490 MU as against the projected power purchase of 28904 MU by KPTCL in FY03.

5.2 Revised FRP:

1. GOK had approved the FRP for the power sector in the state in the Order no. DE12PSR 2001 dated 30.03.2001. The Commission examined the FRP in detail and communicated its views to GOK in June 2001. It was pointed out that the approved FRP runs the risk of being thrown out of gear by variations in actuals compared to some of the major assumptions in the initial years itself. The Commission has also made its observations on the FRP in Tariff Order 2002.

2. Government has proposed a revision of FRP and the FDP consultants have provided a draft of the revised FRP dated 03.09.2002 proposed by them to the Commission. High lights and assumptions of the draft revised FRP are as follows:

- i) Revised FRP for the period 2001 to 2010 has been prepared by the Consultants on the basis of Distribution Margin (DM) approach. Revised FRP has been prepared for KPTCL, Central Electricity Trader (CET) and ESCOMs
- ii) The power purchase cost has been allocated to ESCOMs using differential bulk supply tariff based on the cash collected by each ESCOM and subsidy support from GOK.
- iii) Capacity addition from 2001 to 2010 has been considered as 2811 MW in the revised FRP as against 2657 MW in the earlier FRP.
- iv) The energy input requirement from FY02 to FY10 has been considered at a CAGR of 2.96%.
- v) The T&D loss in FY02 has been indicated as 35.8% which is estimated to come down to 23% by FY10 and the year wise reduction is as follows:

Year	Estimated T&D loss reduction (%)
FY03	2.1
FY04	1.5
FY05	1.5
FY06	1.6
FY07	1.6
FY08	1.6
FY09	1.4
FY10	1.5

vii) The annual growth in sales has been estimated to be 7% in FY03, and 5 to 6% during the period FY04 to FY10 Sales.

viii) Tariff increase has been projected as follows:

Year	Projected Tariff increase (%)
FY03	11
FY04	14
FY05	13
FY06	8
FY07	7
FY08	6
FY09	6
FY10	6

ix) The cumulative revenue subsidy from GOK to the power sector has been estimated to be Rs. 8753 crores for the period from FY01 to FY10 in the proposed FRP as against a provision of Rs. 6750 crores in the approved FRP. The total Cash support from GOK to the sector including revenue subsidy, servicing of forced debt and working capital requirement has been projected to be Rs. 10376 crores in the proposed FRP.

The revised FRP is yet to be approved by the Government.

5.3 Opening Balance sheet for the ESCOMs

GOK vide order no. DE 8 PSR 2002 dated 31.05.2002 has approved the opening balance sheet of KPTCL and the four ESCOMs as on 31.03.2001 (Provisional) as per second BRP adjustments. In the said order GOK has also approved the following:

- i) To write off of KPTCL's receivables upto Rs. 866 crores which amount is placed with the government and the possibilities of future recoveries explored.
- ii) All the Electricity Companies will continue to pursue and enforce recovery of arrears outstanding against the consumer accounts.
- iii) Tripartite adjustments of Rs. 878 crores between KPCL, GOK and KPTCL to clear off KPCL long term debt to GOK and GOK's subsidy dues to KPTCL and KPTCL's power purchase dues to KPCL.
- iv) Total subsidy to power sector for 10-year period to be restricted to Rs. 12140 crores.
- v) Government to take over and service long-term debt of KPTCL upto Rs. 1050 crores. (Details of loans taken over and modalities of debt servicing to be communicated separately).

GOK in the order has stated that the approval of opening Balance Sheets is subject to audit and finalisation of transfer of balances as on 31.05.2002.

5.4 Load forecast for the state:

1. The Commission has issued Guidelines for preparation of Load Forecasts, Power Procurement Plan and Power Procurement Procedure. As per the guidelines, the Licensee shall, on an annual basis, forecast the demand for power within the Area of Supply in each of the next succeeding 10 years and prepare and submit such forecasts to the Commission. Such forecast has to be made customer class wise for each year and should include forecasts of technical and non-technical losses. The annual load forecast has to be submitted to the Commission not later than the 10th day of April each year. However, the Licensee has not submitted the load forecast as per the guidelines in FY03 and till date for FY04.

2. However, various experts and organisations have made medium and long-term load forecast for the state. A few of these forecasts are discussed in the following sections:

i) Sri B.G. Rudrappa, former chairman, KEB, has made a report "Power Scenario in Karnataka up to the end of tenth plan". The forecast has been made for FY99 to FY07 with base year as FY98. For the base year unrestricted energy requirement has been estimated taking into consideration the effects of power cuts, load shedding, rostering, low voltage, frequency effects etc. Category wise sales have been projected and the total energy requirement has been arrived at applying the T & D loss. The peak requirement is obtained by applying the Load factors. As per this report the forecast for the state is as indicated below:

Year	Energy-MU	Peak-MW*	% T & D loss	Load factor (%)
FY00	24402	4650	20	68.7
FY01	25695	4850	19.5	68.7
FY02	27672	5150	19	68.7
FY03	29701	5550	19	68.7
FY04	31088	5750	18.5	68.7
FY05	32885	6050	18.5	68.7
FY06	34079	6250	18	68.7
FY07	35736	6550	18	68.7

*Note: peak load has been corrected for low voltage and peak hour load shedding

ii) **Sixteenth Electric Power Survey report of India:** In this report the projections are based on partial end use method and trend analysis. The category wise sales have been projected and the total requirement is obtained applying T & D loss. For peak estimation load factors have been used. For the purpose of projection past actual data of 10-15 years has been considered based on the availability of data. FY98 has been considered as the base year for projections. The major assumptions considered in the forecast are:

- a. The demand met by captive generators is excluded.
- b. Energy requirement and peak demand figures from FY94 to FY98 are restricted actual and the figures for FY00 and beyond are unrestricted projections.
- c. Since partial data was available for FY99, the figures for FY99 are neither the actual nor projected.
- d. A combined frequency and voltage correction amounting to 1% of the total consumption has been applied for all SEBs in southern region.

The forecast for energy and peak is as follows:

Year	Energy- MU	Peak- MW	%T& D loss	Load factor (%)
FY00	28834	4987	18.90	66.00
FY01	30794	5326	18.80	66.00
FY02	32950	5699	18.70	66.00
FY03	35084	6068	18.60	66.00
FY04	37235	6440	18.50	66.00
FY05	39467	6826	18.40	66.00
FY07*	44748	7740	-	-
FY12*	60478	10460	-	-
FY17*	81354	14071	-	-

* Note: These are long-term forecast, which have been estimated for the end year of the five-year plan period by extrapolation.

iii) **Forecast as per Revised FRP:**

As per the proposed revised FRP the projection of energy requirement has been made on the following assumptions for each of the Distribution Companies:

- a. FY01 is considered as the base year.
- b. Category wise sales for individual year is projected based on certain growth rates.
- c. Distribution loss for each ESCOM for the year has been estimated based on a loss reduction profile.
- d. Total input to each ESCOM is estimated applying distribution loss to the sales.

Based on the above the sales growth rate and distribution loss assumed for ESCOMs are as follows:

Year	BESCOM		MESCOM		HESCOM		GESCOM	
	% Sale	% loss	%Sale	% loss	% Sale	% loss	% Sale	% loss
FY01		26.23		22.27		35.77		37.00
FY02	3.5	29.69	6.6	21.19	1.90	31.00	10.70	38.21
FY03	5.5	28.46	4.5	19.12	3.50	28.45	3.50	36.06
FY04	5.4	26.96	4.1	19.02	2.90	27.45	3.70	35.06
FY05	5.5	25.46	4.1	18.82	3.00	25.95	3.70	33.56
FY06	5.6	23.96	4.1	18.32	3.00	24.70	3.80	32.06
FY07	4.6	22.46	3.4	17.82	2.70	23.45	3.20	30.56
FY08	4.7	20.96	3.4	17.32	2.70	22.20	3.20	29.06
FY09	4.7	19.71	3.4	16.82	2.70	20.95	3.30	27.56
FY10	4.8	18.46	3.4	16.32	2.80	19.70	3.30	26.06

Hence the input to ESCOMs as per the proposed revised FRP has been indicated as:

MU

Year	BESCOM	MESCOM	HESCOM	GESCOM	Total
FY02	11882	5256	5290	4065	26493
FY03	12447	5454	5438	4173	27512
FY04	13061	5659	5562	4297	28579
FY05	13700	5873	5676	4415	29664
FY06	14382	6094	5794	4540	30810
FY07	14963	6277	5901	4643	31784
FY08	15575	6467	6010	4750	32802
FY09	16222	6664	6122	4862	33870
FY10	16954	6868	6238	4977	35037

The transmission loss estimated and the input requirement for the state as per revised FRP is indicated below:

Year	%Transmission loss	Input energy-MU	Peak MW
FY02	8.83	29059	5585
FY03	8.20	29967	5737
FY04	7.49	30893	6285
FY05	6.99	31894	6599
FY06	6.49	32948	6708
FY07	5.99	33809	7429
FY08	5.49	34708	7516
FY09	4.99	35648	7516
FY10	4.49	36683	7516

It is noted that in 9 years the CAGR for energy input is 2.96%. In order to meet the above energy requirement the revised FRP envisages dispatch from various sources as follows:

Stations	MUs								
	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
KPCL hydro Existing	9119	9399	10806	10806	10806	10806	10806	10806	10806
Almatti	-	-	-	137	494	494	494	494	494
VVNL Hydro	255	532	477	477	477	477	477	477	477
KPCL thermal Existing	8175	8481	9808	9808	9808	9808	9808	9808	9808
Yelahanka	707	706	706	706	706	706	706	706	706
Bellary Thermal plant	-	-	-	-	-	733	2986	2986	2986
CGS	6763	6626	7978	8739	8912	8236	6882	7822	8857
Jindal	984	841							
Rayalseema	189	185							
Tata	531	551							
Tanirbavi	944	1560							
Other states	847	581							
Co-generation	518	506	1119	1222	1745	2549	2549	2549	2549
Additional sources	28								
Total	29059	29967	30893	31894	32948	33809	34702	35648	36683

The CAGR for the energy forecast for the period from FY02 to FY07 would be 5.25% as per Sri B.G. Rudrappa's forecast, 6.31% as per 16th EPS report and 3.07% as per revised FRP. Similarly for the peak forecast for the period from FY02 to FY07 the CAGR would be 4.93% as per Sri B.G. Rudrappa's forecast and 6.31% as per 16th EPS. It is noted that based on the methodology adopted and the assumptions made, there is wide variation in the demand and energy requirement projected by various groups/experts.

5.5 Generation capacity addition in the state:

The proposed revised FRP envisages the following capacity additions in the state:

											(MW)
Source	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	Total
KPCL Hydro	75	195	15	15	15						315
KPCL-RTPS VII				210							210
VVNL			26								26
Chamundi (Almatti/UKP)				180							180
Bellary Thermal Power Station							500				500
State sector	75	195	41	405	15	-	500	-	-	-	1231
NLC-I	35										35
NLC-II	45										45
NLC-additional		38	76		85						199
NPC-Kaiga	54										54
NTPC-Talcher				116	116	232					464
NTPC-Cheyur							87	87			174
NTPC-Ramagundam					87						87
Central sector	134	38	76	116	288	232	87	87	-	-	1058
Other states						-110					-110
Jindal Power						-100					-100
Co-generation plants	36	64	54	115	17	87	134				507
Tanirbavi		220							-220		0
Rayalseema	27										27
Tata	81										81
Jurala							117				117
Total of IPPS and others	144	284	54	115	17	-123	251	-	-220	-	522
Grand Total	353	517	171	636	320	109	838	87	-220	-	2811

5.6 DCB analysis Of the Licensees

A summary of the DCB of the Licensee since FY96 is indicated below:

(Rs. crores)

Year	Revenue Demand	Collection	Collection as % of current year's Demand
FY96	1983.36	1894.96	95.95
FY97	2314.06	1960.06	84.70
FY98	2788.87	2383.88	85.48
FY99	3201.02	2876.16	89.85
FY00	3480.83	3638.17*	104.52
FY01	3790.64	4244.48**	111.97
FY02	4529.31	4145.64	91.53
FY03 up to Jan03 end	4317.97	3626.91	83.99

* Includes collection by securitisation of dues amounting to Rs.194.02 crores

** Includes FRP adjustments

It is noted that the collection efficiency has come down in the past two years.

ESCOM wise comparison of collection efficiency in FY03 with respect to collection efficiency in FY02 till January end is indicated below:

ESCOM	FY02	FY03	Difference
BESCOM	91.73	87.06	-4.67
MESCOM	89.99	85.72	-4.26
HESCOM	87.14	77.15	-9.99
GESCOM	89.00	75.47	-13.54
TOTAL	90.37	83.99	-6.38

ESCOM wise arrears outstanding as at the end of January03 is given below:

ESCOM	Revenue outstanding in number of Months
BESCOM	4.6
MESCOM	3.7
HESCOM	6.7
GESCOM	9.6

5.7 Universal metering program of GOK

KPTCL/ESCOMs have undertaken universal metering programme covering FY02, FY03 and FY 04 as per the policy directive of the Government. It has been envisaged to achieve 100% metering by FY04. The progress of ESCOMs (excluding BESCO) under universal metering program upto 15.02.2003 is indicated in the table below.

Universal Metering Progress in ESCOMs upto 15.02.2003

(Nos.)

Category	MESCOM		HESCOM		GESCOM		Total	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
IP sets	81,960	73,170	98,185	37,916*	6,186	4,647	1,86,331	1,15,733
BJ/KJ	1,88,483	1,09,853	3,09,627	1,94,136	42,200	36,804	5,40,310	3,40,793
Streetlights	7,000	8	Nil	Nil	1,958	1,958	8,958	1,966
Total	2,77,443	1,83,031	4,07,812	2,32,052	50,344	43,409	7,35,599	4,58,492

Note: target is for the entire period upto FY04. and progress is cumulative upto 15.2.03

Overall progress for the above three ESCOMs is 62.33%. In respect of BESCO the Company has stated that the metering programme proposal has been submitted to the GOK and the same would be finalised after receiving views of the GOK

5.8 Implementation of ATL:

The details of category wise installations serviced under Pre-ATL regularization drive and the number of installations out of these that have been metered is indicated below:

Category Wise Installations Serviced During Pre-ATL Regularisation Drive

(Nos.)

ESCOM	DOMESTIC			COMMERCIAL			IP SETS			ALL CATEGORIES		
	Metered	DC	Total	Metered	DC	Total	Metered	DC	TOTAL	Metered	DC	Total
BESCO	100510	92200	252246	4915	4121	10310	3382	19998	23475	108807	116319	286031
MESCO	113910	9417	123317	5385	814	6199	5194	15762	20956	124489	25993	150472
HESCO	136673	48118	184791	10760	2790	13550	645	22274	22919	148078	73182	221260
GESCOM	56979	140984	197963	5784	5168	10952	531	11604	12135	63294	157756	221050
TOTAL	408072	290719	758317	26844	12893	41011	9752	69638	79485	444668	373250	878813

After the Pre-ATL drive, a large number of installations are yet to be metered. These un-metered installations are adding to the distribution loss in the system. All these installations should have been metered within six months as per Tariff Order 2002. Only a little over 50 % of the installations are metered which indicates poor progress in this important matter.

5.9 Capex review including APDRP works:

1. As per the KERC (Tariff) Regulations, the investment programme for the year should be filed along with ERC. The detailed capital investment programme for FY03 was submitted only in June 2002, with a delay of more than six months.
2. As per the Practice Directions in respect of Investment Programme, works costing more than Rs.5.00 Crores for transmission schemes and more than Rs.1crore for distribution schemes have to be got approved by the Commission before taking up such works. KPTCL had already commenced work on 16 projects even before obtaining the approval of the Commission for the Scheme Reports as required.
3. While the Commission has approved the capital investment programme for FY03 subject to certain conditions, the Commission has also disallowed expenditure projected to be incurred in respect of twelve works for which even the DPRs have not been furnished to the Commission for obtaining approval.
4. In FY03 KPTCL had budgeted Rs. 263.83 crores for transmission schemes out of which Rs. 245.45 crores has been approved by the Commission. In addition KPTCL had allocated Rs. 222.59 crores under APDRP scheme for which approval of the commission has not been obtained.
5. KPTCL and ESCOMs have submitted their capital investment program for FY04 along with the ERC in November 03 and the Commission has approved

the same in Tariff Order 2003. Details of capital expenditure proposed by KPTCL and ESCOMs and approved by the Commission is indicated below:

Company	(Rs. crores)	
	Capital expenditure proposed	Capital expenditure approved by KERC
KPTCL	323.00	296.30*
BESCOM	381.61	381.61
MESCOM	163.94	163.94
HESCOM	435.29	435.29
GESCOM	107.70	107.70
Total	1411.54	1384.84

*Rs. 26.70 crores pertaining to 12 projects for which DPRs were not submitted to the Commission are disallowed.

6. The capital investment of ESCOMs includes investment towards APDRP works amounting to Rs. 181.10 crore for BESCOM, Rs. 107.94 crores for MESCOM, Rs. 321.29 crores for HESCOM and Rs. 72.20 crores for GESCOM.

6. PROTECTION OF CONSUMER INTEREST

6.1 Office of Consumer Advocacy (OCA)

1. The Office of Consumer Advocacy of KERC was established in September 2001, thereby becoming the first regulatory Commission within the country to have a full-fledged office for consumer advocacy. In the past one year the OCA has taken several steps to protect the interest of the consumers and to make the voice of the consumers heard in the Commission.

2. Apart from continuing the activities initiated during the last year, the OCA has further identified several other issues of importance to consumers. In order to cope with the increasing demands on the OCA steps have been taken to strengthen the staff position. The assistance of an executive Assistant and one Assistant has been provided to the OCA, besides the Grievance Redressal Officer who is in charge of consumer complaints.

6.2 Additions to the list of consumer groups in Karnataka

Based on the input received during last year, the OCA prepared a list of voluntary consumer organizations with which it would like to interact, share information etc. Names of some more organisations have been added during this year. On date the list has more than 75 organisations. This is being used as a directory of voluntary consumer organizations for the activities of OCA.

6.3 Workshop/Training programmes for consumer organizations

Last year the OCA conducted several workshops and training programmes for the benefit of the consumers. During this year more emphasis was laid on information sharing, capacity building and interaction with consumer groups. Public hearings organised in various parts of the State for hearing objections to tariff was also made use to interact with local consumer groups.

6.4 Publications

1. The OCA continued to publish the monthly newsletters "Consumer Power" in English and "Vidyut Balakedara" in Kannada. These newsletters contain informative articles on electricity matters, important statistics, guidelines to consumers and important developments in power sector across the country. These newsletters are sent to consumer groups, other regulatory Commissions, government departments, public libraries etc. for wide dissemination.

2. The OCA has also compiled a number of judgments given by the Consumer Forums and Commissions on matters relating to electricity grievances. This is published as a booklet with the title 'Electricity Service and the Consumer Protection Act [A review of important judgements decided by the Forum and Commission set up under the Consumer Protection Act, 1986]'. Besides the OCA has started publishing Consumer Information Sheets to help consumers in their day-to-day transactions with electricity companies. The following first set of four Consumer Information Sheets has been published:

- a. Procedure for claiming Solatium in case of Electricity Accidents
- b. How to get connected
- c. Putting things right - a simple guide for lodging complaints
- d. Your right to information

6.5 Grievance Handling

After the establishment of OCA, grievance handling is being dealt with by the Consultant (Consumer Advocacy) who is assisted by the Grievance Redressal Officer. Apart from handling grievances, an analytical study of these grievances is made to highlight required policy changes. The OCA on date has received 562 complaints out of which 377 have been resolved. The balance of 185 is pending at different levels.

6.6 Workshop on Consumer Network

The OCA took active part in the first state level workshop for consumer groups, which was supported by the PPIAF, a trust managed by the World Bank. The above workshop was organized by the Commission on 11th January 2002. This was as part of the proposed Consumer Network as an aid to effective regulation in power sector. More than 75 consumer representatives of Karnataka participated in the workshop. The second workshop was held on 12th April 2002. A summary report on the consumer network that has been named as ECON is enclosed at Annexe 19.

6.7 Press release

The OCA continued to interact with the media and Press. The following articles relating to power sector were published :

- a. AP surges ahead of Karnataka - Vijay Times
- b. Consumers and Power Regulators - The Hindu
- c. Metering: The basis for reform - The Hindu
- d. What Consumers should know about Electricity - The Times of India

6.8 Presentation before Regulators

The Forum of Indian Regulators in Electricity held their annual meeting at Bangalore during 15-16th November 2002. The OCA made a presentation about its activities. The regulators have appreciated the move of KERC in this direction. The Andhra Pradesh Commission and Himachal Pradesh Commission have shown interest in replicating the OCA activities in their respective states.

6.9 Petition before the Commission

The OCA had filed a petition before the KERC seeking a direction to KPTCL/ESCOMS and KPCL to furnish details about the tenders floated during the last financial year. Though KPCL furnished the required information,

KPTCL/ESCOMS took several objections to the petition. However the KERC by a majority judgment has passed an order directing the KPTCL/ESCOMS to furnish the information prayed for in the petition. A copy of the Order of the Commission is at Annexe 20.

6.10 Papers presented in Seminars and Workshops

During the year under review the OCA was invited to several seminars and workshops for presentation of papers. The Consultant (Consumer Advocacy) was invited to present a paper on 'Power Sector Reforms in Karnataka' at the three-day workshop on Power Sector Reform and Public Benefit held at Bangkok, Thailand, during 7-10th October 2002. Independent Power Producers Association of India (IPPAI) had organised a conference on 'Unbundling of KPTCL into a Transmission and Four Distribution Companies' in May 2002. Consultant (Consumer Advocacy) presented a paper on 'Consumer Interest under regulatory regime' in the conference. In another conference on 'Tariff Policy for Captive Generation' organised by IPPAI during October 2002, a paper on 'Tariff: Reconciling Producer and Consumer Interest' was presented by Consultant (Consumer Advocacy). The National Law School of India University had organised a Roundtable on 'Infrastructure Policy and Law' on 22nd March 2003. A paper on 'Regulators and Public Interest' was presented by Consultant (Consumer Advocacy).

6.11 Survey of Electricity Consumers

The OCA with the assistance of Electricity Consumers Network conducted a survey of electricity consumers in Karnataka. A report on the survey has been prepared and circulated by ECON. A copy of the report is placed at Annexe 21.

7. ADMINISTRATION

7.1 Staff recruitment

The Commission follows a policy of employing staff on deputation basis or on contract basis. The total staff strength of the Commission as on 31.03.2003 is 32. Out of these 32, 10 posts are filled up on contract employment where as the others are on deputation. Following table shows the staff position as on 31.03.2003.

Sriyuths:

01	R. Sridharan, IAS	Secretary
02	M. Nagaraj	Director (Technical)
03	G.S. Shashidhar	Director (Tariff)
04	B. Jayasankar	Senior Economic Analyst
05	R. Rangaswamy	Deputy Director, Demand forecasting
06	Mohammad Imtiazuddin	Deputy Director, Distribution
07	S. Chandrasekhar	Asst. Secretary
08	B.V.Murthy	Executive Assistant (C.A)
09	H.S Sheshadri	T.A to Chairman
10	M.L. Pai	P.S to Secretary
11	K.S.Nagaraj	Accounts Officer
12	M.N. Krishnakumar	Asst, Accounts Officer
13	S.N. Atmaramagowda	Asst. Accounts Officer
14	K.Sreepada Rao	Office Manager
15	M.R. Prahlad	Senior Assistant
16	M.L. Shankarlingappa	Kannada Translator
17	G. Parimalam	P.A to Director (Technical)
18	H.N.Ramachandra	Personal Assistant
19	K.M.C. Mallikarjuna	Assistant
20	R.Suribabu	P.S. to Chairman
21	B.N. Patil	P.A to Chairman
22	P.R. Gopinath	P.A to Chairman
23	S. Chandramohan	P.S. to Member
24	M. Ramu	P.S. to Member
25	A.M. Mahanthaiah	Attender

Consultants

01	J.K. Ghaste	Consultant (Administration)
02	P.N. Lakshmana Reddy	Consultnat (Technical I)
03	B.S Bhagavan	Consultant (Technical II)
04	K. Suresh	Consultant (Technical III)
05	B. S. Ramakanth	Consultant (Legal)
06	Y.G. Muralidharan	Consultant (Consumer Advocacy)
07	K.Vijayadev	Consultant (Consumer Relations cum Grievances Redressal)

7.2 Deputation to Conferences and Training

As part of capacity building and to keep abreast with latest developments in the sector, the Commission deposes its staff for various conferences and training programmes. During this year training was imparted as shown below:

Name Sriyuth	Designation	Period	Venue	Particulars of the Training/Conference
B.S. Bhagavan	Consultant (Tech.)	03.05.2002	KPTCL Cauvery Bhavan, Bangalore - 09	Availability based Tariff
K.Suresh	Consultant (Tech.)	05.06.2002	CPRI, Bangalore	Power for all-Mission 2012
B.Jayasankar	Sr.Economic Analyst	08.06.2002 & 09.06.2002	Hotel Trident, Chennai	Competition, Regulation & Investment – Role in Economic Growth
H.S. Sheshadri H.N. Ramachandra	Tech.Asst. PA	10.7.2002 to 24.9.2002	Aptech, Shivajinagar	Web designing
B.Jayasankar	Sr.Economic Analyst	30.08.2002	APERC, Hyderabad	Long term tariff principles
M.Nagaraj H.S. Seshadri	Dir. (Tech.) Tech.Asst.	31.08.2002	BSES Management Development Centre, Mumbai	Role of Telecom in the emerging Power Sector Scenario by Society of Power Engineers. India.
G.S. Shashidhar	Director (Tariff)	01.09.2002 to 14.09.2002	USA	US Study Tour on IRP conducted by NEXANT (US Aid)
M.Nagaraj B.Jayasankar R. Rangaswamy	Dir [Tech.] SEA. Dy.Dir (DF)	15.09.2002 to 23.09.2002	Taj Fort, Aguada, Goa	Fourth Core Training course on Infrastructure Regulation & Reforms conducted by SAFIR & PPIAF
G.S. Shashidhar B.Jayasankar	Dir (Tariff) Sr.Economic Analyst	19.10.2002 to 23.10.2002	Delhi ERC, New Delhi	Presentation by Maryland Regulatory Commission
M.Nagaraj	Dir. (Tech.)	29.10.2002 to 30.10.2002	Hotel Park Sheraton & Towers, Chennai	Grid Operation and Management conducted by CBIP, New Delhi
Md. Imtiazuddin R.Rangaswamy	Dy.Dir.(Dist.) Dy.Dir.(DF)	08.11.2002 to 09.11.2002	Indian Heritage Academy, Bangalore	Ethics & Values in life, profession & Management

7.3 Computerisation and miscellaneous

1. KERC maintains a web site - www.kerc.org - in order to provide easy access and wide publicity for the activities undertaken by the Commission. The site is updated on a continuous basis. In order to avoid the delay in uploading, two officials of the Commission have been trained in Web design and the contents are being uploaded in-house. An electronic backup of all the correspondence is maintained in the office for easy retrieval of communication. The Commission has also maintained a comprehensive database with regard to electricity sector in Karnataka, which is available in the Office LAN. The Commission has an LCD Projector and a High speed Laser Printer.

2. Software for file tracking has been developed in-house and successfully implemented. Also software for Library information has been developed and has been implemented.

7.4 Implementation of Kannada in the Commission

8. FINANCE AND ACCOUNTS

8.1 Grants Received from the Government during FY03

1. The Commission requested the State Government to provide a budget of Rs. 326.20 lakhs. As against this, government has sanctioned Rs. 326.20 lakhs and provided an additional grant of Rs.2.00 lakh to meet the expenses in connection with the FOIR Meeting. However out of Rs.328.20 lakhs, Rs. 224.50 lakh only has been drawn from the Government and an amount of Rs. 103.70 lakhs was surrendered to Government during March 2003 due to savings in expenditure. The major reasons for savings in expenditure in FY03 is that the 2nd phase of interior works was not taken up during the year as planned and additional computers and office furnitures were not procured due to non filling up of the vacancies.

2. The following table shows the comparison of budget estimate and actual expenses for FY03.

(Rs in lakhs)

Major expenditure head	Budget estimate	Expenditure for FY 03	Savings
Establishment expenses	104.80	94.97	9.83
Office expenses	163.40	111.95	51.45
Office set up expenses	60.00	8.27	51.73
Total	328.20	215.19	113.01

The expenditure of Rs. 215.19 lakhs was met out of opening balance of Rs. 64.29 lakhs, Government grant of Rs. 224.50 lakhs. The closing balance at the end of FY03 was Rs. 73.60 lakhs in the permanent imprest account.

3. During FY03 a sum of Rs.152.07 lakh has been received towards Licensing Fee, Processing Fee and Miscellaneous Receipts of which Rs 151.16 lakh has been credited to Government during FY03 and remaining Rs.0.91 lakh was remitted to Government during April 2003.

8.2 Annual Statement of accounts for FY03

The annual statement of accounts for the year FY03 has been prepared in the manner prescribed by the Government and has been kept ready for audit.

9. FORWARD WORK PROGRAMME FOR FY04

9.1 ERC of KPTCL/ESCOMS/ Hukkeri Society and Tariff Order

1. In the Tariff Order 2003, the Commission has proposed to amend the definition of financial year in the Licences issued to KPTCL/ESCOMs so as to change the financial year from 1st of October to 30th of September. The Commission has requested KPTCL and the ESCOMs to give their views on the proposed amendment. After receiving the views, the Commission will take a decision in the matter.

2. As per KERA, KPTCL, ESCOMs and Hukkeri society have to file their ERCs on or before 30th November for the ensuing year. The Commission would scrutinise the ERC and Tariff proposals of the Licensees and pass appropriate Orders after following all the required procedures.

9.2 System Charges for use of Transmission and Distribution System

As indicated in chapter 3 of this report, the Commission has determined wheeling charges and transmission tariff in the Tariff Order 2003. However, the Commission desires to have a detailed study in the matter of transmission tariff as well as wheeling charges in view of the complexities in determining this tariff. The Commission has requested the Government in April 03 to entrust this study to the Government's Consultants. This will be followed up with the government so that the report can be made use of in determining the transmission/wheeling tariff in the next ERC.

9.3 Regulations, Codes and Standards

1. The Commission proposes to review the ES& D Code during the year and bring in necessary amendments in order to make the Code more consumer friendly. This will be undertaken and completed before December 2003.
2. The Commission has issued Grid Code, Distribution Code, Metering code and Standards of Transmission and Distribution. The Code has a provision for periodical review by a Review Panel constituted by the Licensees. The Commission will examine the recommendations of the Review Panel and make amendments as may be necessary.

9.4 PPAs

1. In Tariff Order 2003 the Commission has directed KPTCL to submit the PPA for VVNL projects within three months from the date of issue of the Tariff Order. PPA for Yelahanka diesel plant has been received by the Commission for approval on ~~22nd April, 2003~~ 04.04.2003. The Commission has called for certain additional information on the PPA and has also cleared the notification for publication by KPTCL inviting objections vide letter dated 01.05.2003. The Commission will hold the necessary hearings/meetings in the matter and the same will be cleared latest by August 2003.
2. PPA in respect of Hydro Stations of VVNL has not been placed before the Commission so far. This will be followed up and as soon as the same is received, the Commission will review and take necessary action.
3. The Commission has received 6 PPAs in respect of NCE projects for approval, which PPAs were treated as void by the Commission. The Commission has requested the GOK in April 03 to issue policy on NCE projects. This will be followed up with the Government. As soon as the policy is issued, the Commission will initiate action to clear these PPAs.

9.5 Cost of Service Study

The necessity of conducting the cost of service study has been dealt in detail in the first Tariff Order issued by the Commission. Specific directive was given to KPTCL for taking up the cost of service study. The Commission initiated the process by entrusting M/s MECON to prepare the procedures of cost of service study. The reports were made available to KPTCL and ESCOMs. However the Commission felt strongly that the task of preparing the cost of service rests with the Licensee and the activity needs to be institutionalised by the Licensee to carry out the task on a continuous and sustained manner. However this requires the capacity of the Licensee to be significantly strengthened. With this aim in mind, in December 02 the Commission has written to PWC, the consultants to GOK on institutional strengthening to take up the task of cost of service studies under its present mandate, involving KPTCL/ESCOMs to build up the ability of the Licensees to undertake this task on a sustained and professional manner. In continuation to this the Commission has also written to the GOK in April 03 to include this task in the revised mandate of the ISP Consultants.

9.6 Establishment of Long Term Tariff Principles

As indicated in chapter 2 of this report, the Commission has issued a discussion paper in April 03 on MYT inviting comments and suggestions before 31.05.2003. After receiving the comments the Commission proposes to have a meeting with the various stakeholders in June 03 and will finalise the paper before the end of July 03.

9.7 Performance monitoring and benchmarking for Distribution Companies

1. The Commission has prescribed performance-reporting formats in order to institute a proper system for measuring, reporting, monitoring and publishing standards of performance of the Licensees. In the reporting formats information is sought mainly in the following areas:

- a. Energy input, sales and losses
- b. Revenue Demand and Collection
- c. Transformer failures
- d. Metering program including DC and MNR metering
- e. Consumer complaints
- f. Quality of supply
- g. Accidents

2. Based on the feedback received from the ESCOMs, the Commission has reviewed the reporting formats. After interacting with BESCO in May 2003, the Commission has finalised the formats.

3. The Commission will review the progress reports and communicate its comments to ESCOMs on a monthly/quarterly basis and will also hold quarterly review meetings with ESCOMs.

9.8 Plan of Action of OCA for FY04

1. The Office of Consumer Advocacy (OCA) has been established with the avowed objective of protecting the interests of the consumers in all matters relating to the power sector. Protection of consumer interest involves three fundamental issues namely, Transparency, Accountability and Participation.

2. Broadly transparency involves free access to information and knowledge about the decision making process. In other words consumers, who are one of the stakeholders in the power sector are to be kept informed about the developments in the power sector. Accountability refers to fixing up the responsibility of each individual or institution. Finally, participation mainly refers to the involvement of the civil society groups in general and consumer groups in particular in all the issues related to power sector.

3. The OCA would like to achieve transparency, accountability and participation by using a variety of advocacy tools. Some of them include

dissemination of information, use of media, litigation and empowerment of the consumers. The following is the plan of action proposed to achieve the above objectives.

a. Transparency:

i. Access to information is crucial for ensuring transparency. Hence the OCA would like to establish an information kiosk for providing information to the public.

(Target date: 15~~th~~th ~~May~~May.~~05~~05.-2003)

ii. The OCA will communicate with the Licensee to make available the following details on their website.

- ✓ Data relating to generation and load
- ✓ Information about fuel consumption and fuel contracts
- ✓ Metering data of sample agricultural consumption feeders
- ✓ Details of energy audit
- ✓ Details of contracts/tenders entered into by the Licensee
- ✓ Number of electrical accidents and payment of solatium etc.

If normal channels of communication do not bear fruits, a petition will be filed before the Commission seeking a direction to the Licensee

(Target date: 25~~th~~th ~~July~~July.~~07~~07.2003)

iii. The OCA has already published a few leaflets for the benefit of the consumers. It will continue this exercise and bring out Consumer Information Packs for wider dissemination. Henceforth all publications will be released first in Kannada.

The Kannada version of the four Consumer Information Sheets will be released.

(Target date: End of May 2003)

iv. The OCA will arrange to publish articles, reports and other informative material in the print media. Visual media will also be used for the purpose.

(Target date: Throughout the year)

v. A discussion paper on 'Consumer Participation in Power Reforms' will be prepared by the OCA. The draft will be widely circulated and a final paper will be published.

(Target date: November 2003)

b. Accountability:

i. Fixing responsibility and accountability is another issue which the OCA would like to pursue. It is essential that the staff of the Licensee are accountable for their actions and inactions. There is a need to introduce benchmarks for fixing this responsibility. One such measure is implementation of Citizens' Charter with a special clause for payment of penalty to be recovered from the salary of the concerned staff or official of the Licensee.

ii. The OCA has already proposed to the Commission to amend the present Standards of Performance so as to facilitate inclusion of the penalty clause. A

briefing paper will be prepared and circulated to the public for comments and will be widely debated. Besides, the amendment to the ES & D Code to include penalty clause will also be taken up. The ES&D Code should be amended so that the consumers will get the right to claim compensation for any violation by the Licensee.

(Target date: 10~~th June~~.06.2003)

iii. Accountability of the Commission is as essential as that of the Licensee. The OCA is of the view that the Hon'ble members of the Commission are accountable to the public. To enforce accountability on the Commission the OCA will take up the following tasks:

- a. Amendments to the Karnataka Electricity Reforms Act, 1999, to include a clause fixing time frame for disposal of petitions/complaints filed before the Commission.
- b. Evolving an independent institutional mechanism to review the working of the Commission. An independent body consisting of experts should do this review annually.

(Target date: 10~~th August~~.08.2003)

iv. The OCA has found that Karnataka has the highest number of electrical accidents. A review of the reports of accidents indicates that in a majority of the cases it is the negligence of the officials that is the cause of accidents. However no action is taken against the concerned official/staff except issuing a warning.

v. The OCA would like to make a detailed study of the accident cases and file a petition before the Commission to seek a direction to the Licensee to improve their performance, action plan for reduction of accidents, a clear cut

policy to make the negligent official accountable and enhance the amount of solatium.

(Target date: 15~~th~~ ~~September~~ .09.2003)

c. Participation

i. Participation of the civil society organisations is crucial for the improvement of the power sector. Though consumer groups are participating in the reform process, the quality of the intervention is not satisfactory. The OCA would like to ensure effective participation of the consumers by enhancing their quality and empowering them with technical, economic, legal and financial inputs.

ii. The OCA has a plan to conduct training programmes for a select group of consumers on specific issues like tariff, power purchase agreements, financial structure of the Licensee etc. It would like to interact with the Electricity Consumers Network in this proposal.

(Target date: 25~~th~~ ~~September~~ .09.2003)

iii. There is a proposal to amend the Karnataka Electricity Reforms Act, 1999 to facilitate multi year tariff and privatisation of distribution. The OCA would conduct a round table on the proposed amendments.

(Target date: 20~~th~~ ~~May~~ .05.2003)

iv. The OCA will visit offices of the Licensee to study the methods of handling consumer complaints and the implementation of various Codes, regulations etc., issued by the Commission. The OCA will conduct consumer meets, particularly in rural areas of the State.

(Target date: Throughout the year)

9.9 Independence to the OCA

1. Despite the fact that the Commission has given full freedom to the OCA to carry on its activities, it is essential that the OCA should function independently. At present the OCA has one Consultant and two assistants. The consultants fee and other expenses is met by the Commission through its general expenses.

2. In view of the work load and also the future growth of the power sector in the State, it is necessary that the OCA is strengthened in terms of personnel, infrastructure etc. Besides, the OCA should have a legal status independent of the Commission. More importantly, the OCA should receive its funds directly from the Consumers by way of a cess in the tariff.

3. The OCA will pursue this matter during this year. It will prepare a briefing paper on the issue and submit it to the Commission and the Government.

(Target date: December 2003)

9.10 Action Plan of ECON For FY04

ECON has plans to effectively intervene on a state-wide scale in Electricity Regulation, Generation, Transmission and Distribution in Karnataka State. The following are the highlights of the Action Plan for the year 2003-2004:

i. **Objection to Common Review Petition filed by Licensees:**

a. ECON, after undertaking a detailed study of the Common Review Petition filed by the five Licensees namely, KPTCL, BESCOM, MESCOM, HESCOM and GESCOM, with the assistance of a senior retired Electrical Engineer and law students, has filed an objection to the same on 10.04.2003.

b. The objections are being presented by the ECON Executive Committee Member Mr.A.Raja Rao before the Commission.

ii. Multi Year Tariff:

ECON is studying the discussion paper issued by the Karnataka Electricity Regulatory Commission on Multi Year Tariff. ECON plans to furnish its considered comments and suggestions to the Commission.

iii. Privatisation of Distribution:

ECON has plans to associate itself with the Office of Consumer Advocacy in organising a Workshop on merits and limitations of Privatisation Strategy being adopted by the Government of Karnataka.

iv. Intervention through petitions:

ECON proposes to file the following petitions before the Commission in the larger interest of electricity consumers in the state:

a. Intimation to electricity consumers of various deposits and the amounts of such deposits the supply Licensee holds in respect of consumers' installations;

b. Licensee to limit raising back billing and audit short claims from the consumers to previous 12 months only;

c. Issue booklet on Complaints Handling & Grievance Handling Procedure to all electricity consumers without discrimination between existing and new consumers;

d. Capital Investment Programmes of the Licensees; and

e. More petitions on matters concerning to electricity distribution.

v. Consumers' Meet:

To organise Consumer meetings at various places all over the state.

vi. Networking ECON:

On getting the external financial assistance, organise a state-wide networking on WAN and operate more effectively and efficiently in protecting the interests of the electricity consumers by sharing information on a day to day basis.

vii. Membership

On receipt of Registration Certificate from the Registrar of Societies, it is proposed to mobilise members from various consumer organisations all over the state.

viii. House Magazine:

Bring out a monthly House Magazine from ECON carrying consumer friendly and consumer educative articles on electricity matters.

ix. National Seminar – “Power Reforms – Road Ahead”:

It is planned to hold a national level seminar on “Power Reforms – Road Ahead” with the guidance of OCA and the help of KERC.

x. Focussed Survey on Electricity Matters:

ECON is planning to organise a focussed survey on

- a. Quality of Service at selected villages through leading consumer organisations;
- b. An individual random survey on billing, meter reading, interruption etc.

9.11 Forward Work Programme for FY05

It is proposed to publish a draft of the Commission's Forward Work Programme for FY05 before the end of January 2004 inviting comments and suggestions from the government, Licensees and the public. After considering the suggestions received the Commission will finalise its programme for FY05 before the end of March 2004, and the same will be included in the Annual Report of the Commission for FY04.