



Karnataka Electricity Regulatory Commission

ANNUAL REPORT

2004-05

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List of Abbreviations

APDRP	Accelerated Power Development & Reforms Programme
ARR	Annual Revenue Requirement
ATL	Anti Theft Law
BESCOM	Bangalore Electricity Supply Company
BRP	Balance Sheet Restructuring Plan
BST	Bulk Supply Tariff
BTPS	Bellary Thermal Power Station
CAGR	Compounded Annual Growth Rate
CERC	Central Electricity Regulatory Commission
CESCO	Chamundeshwari Electricity Supply Corporation
CET	Central Electricity trader
CoS	Cost of Supply
CPRI	Central Power Research Institute
CGS	Central Generating Stations
DC	Direct Connection
DCB	Demand, Collection and Balance
DM	Distribution Margin
DPR	Detailed Project Report
DTC	Distribution Transformer Centre
EA2003	Electricity Act 2003
ECON	Electricity Consumer Network
ERC	Expected Revenue from Charges
ES&D Code	Electricity Supply & Distribution Code
ESCOM	Electricity Supply Company
FC	Fixed Charges
FDP	Financial & Distribution Privatization
FY	Financial year
GESCOM	Gulbarga Electricity supply Company
GO	Government Order
Gol	Government of India
GoK	Government of Karnataka
HESCOM	Hubli Electricity Supply Company
HR	Human Resource
HT	High Tension
HVDS	High Voltage Distribution System
IP sets	Irrigation pump sets
IT	Information Technology
IVRS	Interactive Voice Response
ISP	Institutional Strengthening and Power Market Development
KERA	Karnataka Electricity Reforms Act

List of Abbreviations (contd)

KERC	Karnataka Electricity Regulatory Commission
KPTCL	Karnataka Power Transmission Corporation Ltd.
KPCL	Karnataka Power Corporation Limited
KWh	Kilo Watt hour
LT	Low Tension
MESCOM	Mangalore Electricity Supply Company
MIS	Management Information System
MMD	Monthly Minimum Deposit
MNES	Ministry of Non-conventional Energy Sources
MNR	Meter Not Recording
MoP	Ministry of Power
MU	Million Units
MW	Mega watt
MYT	Multi Year Tariff
NCE	Non Conventional Sources
OCA	Office of Consumer Advocacy
OYT	Own Your Transformer
PGCIL	Power Grid Corporation of India
PPA	Power Purchase Agreement
PRDCL	Power Research Development Consultants Ltd
PWC	Price Waterhouse & Coopers
RTPS	Raichur Thermal Power Station
TBPCL	Tanir Bhavi Power Company Ltd
T&D	Transmission & Distribution
TERI	The Energy and Resources Institute
VVNL	Visvesvaraya Vidyuth Nigama Ltd.

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FOREWORD

I have great pleasure in presenting the annual report of Karnataka Electricity Regulatory Commission for the year 2004-05. In this report an earnest attempt has been made to present the Commission's efforts in achieving the objectives of the ongoing reform process including implementation of the Electricity Act, 2003. The Commission has framed and notified majority of the regulations as required under the provisions of Electricity Act, 2003.

Electricity Act, 2003 has introduced many new concepts like open access, electricity trading, intra-state ABT etc. The Commission has initiated action for the implementation of these new concepts.

This is the sixth year of the regulatory regime in the power sector of Karnataka. The Commission has been endeavoring to consolidate various steps taken by the Commission so far to make the power sector efficient, economic and competitive, balancing the interests of all the stakeholders and at the same time upholding the legitimate rights of the consumers in the State. To redress the grievances of the consumers, ESCOMs have put in place Consumers' Grievance Redressal Forums and the Commission has also appointed the Ombudsman as mandated in the Electricity Act, 2003.

I would like to take this opportunity to reassure all the stakeholders and the consumers about the continued efforts of the Commission in making the electricity sector financially viable, consumer friendly and safe.

Date: 29.06.2005
Place: Bangalore

Sd/-
K.P. Pandey

1. INTRODUCTION

The Karnataka Electricity Regulatory Commission established in November 1999 has completed five years of its functioning. The year FY05 is significant in that the provisions of the Electricity Act 2003 (36 Of 2003) have come into force after the transition period of one year after the enactment of the Act. Further, the Commission has finalized and notified most of the regulations under the Act. The Commission is happy to inform that all these Regulations were formulated in-house. As in the past, the Commission has continued its efforts to consolidate the gains achieved so far and is continuing its efforts to be fair and transparent in all its activities. The Commission has also continued its efforts to protect the interest of the consumers, without jeopardizing the interests of the licensees. The activities of the Commission during FY 05 have been presented in this Annual Report. This report also includes, wherever appropriate, information, data, events and action taken reports up to the date of preparation of this report to provide a coherent report on the activities of the Commission.

1.1 The Commission

Sri Philipose Matthai, who was the Chairman of the Commission from 15.11.1999 retired after an eventful service of five years on 14.11.2004. Consequently, GoK appointed Sri K.P. Pandey as Chairman of the Commission who assumed office on 15.12.2004. Sri. H.S. Subramanya and Sri S.D. Ukkali are the Members of the Commission, both of whom assumed charge on 14.07.2003.

1.2 The Commission's Office

The Commission's Office is headed by the Secretary, Sri I.R. Perumal, IAS, who assumed charge as Secretary on 22.12.2004. Sri H. Shashidhar, IAS was the Secretary from 16.02.2004 to 16.07.2004 and Sri M. Nagaraj, Director (Technical) was in-charge Secretary from 16.07.2004 to 22.12.2004.

The organizational chart of the Commission is given in **Annex- 1.1**

1.3 Commission's Meetings

In FY 05, the Commission conducted 11 meetings and a number of issues were discussed and actions were taken. A number of issues were also decided by circulation of relevant files. In addition, the Commission also held several informal meetings to discuss and sort out various issues.

2. PROGRESS ON WORK PROGRAMME FOR FY05 AND PROCEEDINGS AND DECISIONS OF THE COMMISSION

2.1 ERC of ESCOMs/KPTCL/Hukkeri Society for FY 05 and FY06

2.1.1 ESCOMs ERC for FY05: As indicated in the Annual Report for 2003-04, ESCOMs had filed their ERC for FY05 during January 2004 showing a revenue gap of Rs. 3468 crores, without proposing measures to fill this gap. The Commission returned the ERCs to ESCOMs to provide one more opportunity to file the ERCs in a complete manner. In reply KPTCL & ESCOMs, during February 2004, stated that they have challenged the decisions of the Commission in the earlier tariff orders in the Hon'ble High Court of Karnataka and that the ESCOMs can file the proposal for bridging the gap only after the Hon'ble High Court of Karnataka decides on the previous proposals for assessing the ARR for bridging the gap. KPTCL & ESCOMs further stated that the Commission may either accept the ERC as filed or await the decision of the Hon'ble High Court. The Commission vide their letter dated 21st June 2004 informed the ESCOMs that they are given one more opportunity to file the ERC in a complete manner, within 10th July 2004. The Commission informed the KPTCL/ESCOMs in the letter that in case the ERCs are not filed within this time, the same would be liable to be rejected. In reply, KPTCL informed the Commission that this matter had been placed before the Hon'ble High Court with a request to hear the matter on priority and that the case is posted for hearing by the Hon'ble High Court on 12th July 2004. KPTCL further informed that during the course of hearing, the Hon'ble High Court of Karnataka had observed that KPTCL may request the Commission not to pass orders on ERC of FY05 till the final disposal of the appeals. It was submitted by KPTCL that the Commission might await the orders of the Hon'ble High Court of Karnataka in the pending appeal listed for final hearing on 12th July 2004. Thereafter

the Commission was not informed by KPTCL anything about the disposal of the case by the Hon'ble High Court and the Commission was unable to proceed with the ERCs of KPTCL and ESCOMs for FY05.

ESCOMs filed their revised ERCs for FY05 on 10th December 2004 showing a combined revenue gap of Rs. 1873 crores indicating this amount as subsidy receivable from the GoK. However since commitment letter from GoK towards the subsidy for FY05 was not provided along with the ERC, the Commission informed KPTCL/ESCOMs to provide the same within ten days. KPTCL and ESCOMs informed the Commission vide letter dated 28th December 2004 that they have approached the GoK for the commitment letter and requested the Commission to extend the time for filing the commitment letter. The Commission while extending the time by one week, notified the ESCOMs vide letter dated 19th January 2005 that filing of incomplete ERCs/not filing ERCs on time would amount to breach of KERC (Licensing) Regulations and that if they fail to comply with the Tariff Regulations within one week, the Commission will be constrained to reject the ERCs and initiate action against the ESCOMs for breach of conditions of License. Since the ERCs filed by the ESCOMs were incomplete and the ESCOMs failed to furnish the commitment letter of GoK on subsidy, the Commission rejected the ERC of ESCOMs for FY05, vide letter dated 17.02.2005, duly informing the ESCOMs that the revenue gap if any, for FY 05 shall not be passed on to the consumers and that the ESCOMs have to meet the gap by themselves. KPTCL & ESCOMs were further informed that to the extent of delay in filing the ERCs for FY06, the revenue gap to the extent of the delay shall not be passed on to the consumers through tariff.

2.1.2 **ERC of ESCOMS for FY06:** The ERC filing of ESCOMS for FY06 was due on 30th November 2004. At the request of the ESCOMS, the Commission granted extension of time to file the ERCs by one month. KPTCL vide letter dated 28th December 2004 informed the Commission that KPTCL and ESCOMS have addressed the GoK requesting for indicating the amount of subsidy available for FY06 for finalizing the ERC and that they are awaiting reply. The ESCOMS further stated that the preparation and finalization of the ERC requires more time and requested the Commission to extend the time for filing ERC by another month. In continuation, the ESCOMS again requested for time up to 15th February 2005. The Commission examined the matter and decided to take up the issue after 15th February 2005.

The ESCOMS have filed their ERCs for FY06 and Tariff filing on 31.5.05. The Commission has observed that considering all the ESCOMS together, the combined revenue gap for FY06 is of the order of Rs. 853.82 crores as per the ERC, after accounting for Govt subsidy to an extent of Rs. 1726.30 crores. To bridge this gap, ESCOMS have proposed revision of tariff to mobilize additional revenue of Rs.836 crores. Considering the filings, the Commission has cleared on 1.6.05 publication of summary of the applications by the ESCOMS in the Newspapers inviting objections from the public, as required under KERC (Tariff) Regulations.

2.1.3 **KPTCL's ERC for FY05:** KPTCL had filed its ERC for FY05 during January 2004 showing a revenue gap of Rs. 732.35 crores and had proposed revision of BST and Transmission Charges to cover this gap in the tariff filing. The Commission had communicated the preliminary observations on the ERC to KPTCL during February 2004 and reply thereon was provided by KPTCL in April 2004. However, since the replies were not complete, a rejoinder was issued by the

Commission to KPTCL during April 2004, which was not complied with by KPTCL. As already discussed earlier, KPTCL and ESCOMs informed the Commission in June 04 that they have challenged the decisions of the Commission on the earlier ERCs in the Hon'ble High Court of Karnataka and that action on the ERC may be taken after the disposal of the appeals before the Hon'ble High Court. Thereafter, the Commission could not proceed further in the matter of ERC for FY05.

KPTCL filed the revised ERC for FY05 on 10th December 2004, duly proposing revision of BST and transmission tariff and had requested the Commission to approve the same. Since KPTCL had earlier requested the Commission to await the decision of the High Court on the pending appeals the Commission informed KPTCL in letter dated 16th December 2004 as to why it should not await the orders of the High Court before proceeding on the revised ERC for FY05. Since KPTCL did not furnish any reply on this, the revised ERC for FY05 was returned during February 2005. KPTCL submitted that the revised ERC filing for FY05 was without prejudice to their right to revise the application based on the orders of the Hon'ble High Court and requested the Commission to approve the ERC. The Commission accepted the request of KPTCL and treated the ERC application as a petition and KPTCL was requested to publish a notice in newspapers as required under the tariff regulations by 10th March 2005 along with ERC of FY06.

- 2.1.4 **KPTCL ERC for FY06:** The ERC filing for FY06 was due on 30th November 2004. But KPTCL sought time for filing the ERC stating that the KPTCL & ESCOMs have addressed the GoK, to indicate the amount of subsidy available for FY06. After grant of extension of time twice, (up to 31st January 2005), KPTCL filed the ERC for FY06 on 16th February 2005. The same was considered along with ERC for FY05

and KPTCL was directed to publish a summary of the application for FY05 and FY06, in the newspapers by 10th March 2005.

KPTCL however did not publish the applications but sought time for filing an amended ERC for the reasons that the ESCOMs have modified the power purchase figures after KPTCL filed the ERC. Meanwhile the Commission took up the preliminary verification of the ERC and communicated the preliminary observations on 7th March 2005. KPTCL filed an amended ERC on 28th March 2005, without complying with the observations made by the Commission on the earlier filing. The amended ERC was returned by the Commission vide letter dated 4th April 2005, with directions to file the same duly complying with the observations made by the Commission.

KPTCL has since furnished the replies to the observations and the Commission has considered the same and has directed KPTCL to publish the summary of applications for FY05 and FY06 in the newspapers.

KPTCL has published the Notification in the newspapers on 30th April and 1st of May 2005, calling for objections within 30 working days. The last date for receipt of objections is 10th June 2005.

Meanwhile the GoK has issued Government Order on 10th May 2005 to authorize ESCOMs to make Power Purchases directly from the Generators by assigning the PPAs to the respective ESCOMs. As per this G.O, KPTCL would not engage in purchase of power from 10th June 2005 onwards.

2.1.5 ERC of Hukkeri Co-Operative Society for FY05 and FY06

ERC application for FY05 was filed by the Society vide letter dated 1st March 2004. Preliminary observations on the filing were communicated vide letter dated 15th March 2004. Replies are yet to be furnished. ERC application for FY06 was filed by the Society vide letter dated 29th December 2004 which was returned by the Commission with observations on 3rd February 2005 and replies are awaited. The Society is yet to furnish compliance to the observations on the ERCs of both FY05 & FY06.

2.2 Regulations, Codes and Standards

Regulations notified by the Commission under the provisions of the Electricity Act 2003

Electricity Act 2003 has come into effect from 10.6.2003, under which various Regulations are required to be issued by the Commission under section 181. As indicated in the Annual Report of FY04, 15 draft regulations were issued by the Commission inviting views/comments from stakeholders and experts. All these 15 Regulations were finalized and issued in FY05. Before finalizing the Regulations, comments received have been considered and hearings were also held wherever required. In addition to the above 15 Regulations, the following draft regulations were issued during the year inviting comments and these regulations have also been finalized and issued on 25.3.2005:

- (i) KERC (Interest on Security Deposit) Regulations 2005
- (ii) KERC (Procedure for filing Appeal before the Appellate Authority) Regulations 2005.

During the year, the Commission also issued certain amendments required to KERC (Duty of the Licensee on Request) Regulations 2004

and to KERC (Recovery of Expenditure for Supply of Electricity) Regulations 2004 vide notification-dated 25.3.05.

An abstract of the Regulations so far issued by the Commission under the provisions of Electricity Act 2003 is given below:

Sl. No	Regulation	Date of Notification in the Official Gazette
1	KERC (Levy and Collection of Fee and Charges by SLDC) Regulations 2004	18.11.2004
2	KERC (Tariff) (Amendments) Regulations 2004	10.06.2004
3	KERC (Consumer Grievance Redressal Forum & Ombudsman) Regulations 2004	10.06.2004
4	KERC (Licensee's Standards of Performance) Regulations 2004	10.06.2004
5	KERC (Consumer Complaints Handling Procedure) Regulations 2004	10.06.2004
6	KERC (Conditions of License to ESCOMs) Regulations 2004	20.05.2004
7	KERC (State Advisory Committee) Regulations 2004	10.06.2004
8	KERC (Fees) Regulations 2004	21.10.2004
9	KERC (Power Procurement from Renewable Sources by Distribution Licensees) Regulations 2004	21.10.2004
10	KERC (Duty of Licensees to supply Electricity on Request) Regulations 2004	21.10.2004
11	KERC (Eligibility Conditions and Duties of Electricity Trader) Regulations 2004	02.12.2004
12	KERC (Recovery of Expenditure for Supply of Electricity) Regulations 2004	16.12.2004
13	KERC (Licensing) Regulations 2004	04.11.2004
14	KERC (Electricity Supply) Code 2004	09.11.2004
15	KERC (Terms and Conditions for Open Access) Regulations 2004	12.11.2004

16	KERC (Interest on Security Deposit) Regulations 2005	12.05.2005
17	KERC (Procedure for filing Appeal before the Appellate Authority) Regulations 2005.	12.05.2005
18	KERC (Duty of the Licensee to supply Electricity on Request) (Amendment) Regulations 2004	12.05.2005
19	KERC (Recovery of Expenditure for Supply of Electricity) (Amendment) Regulations 2004	12.05.2005

The Commission has also issued draft KERC (Security Deposit) Regulations 2004 inviting comments/views from the stakeholders/experts/public.

2.3 Determination of Tariff for Renewable Sources of Energy

Under the provisions of the Electricity Act 2003, the Commission issued a draft of the KERC (Power Procurement from Renewable Sources by Distribution Licensee) Regulations 2004, along with a consultation paper on background issues on treatment of renewable energy projects. A public hearing was also held in the matter on 28.07.2004 and 30.07.2004 on the draft regulations and the discussion paper. The Commission issued KERC (Power Procurement from Renewable Sources by Distribution Licensee) Regulations 2004, after duly considering the written views/comments and views expressed during the public hearing by stakeholders and experts.

According to Section 5.6 of the said regulation, tariff proposals for different categories of renewable sources were invited from licensee/generating companies with due notice in the newspapers on 05.10.2004. In response, tariff proposals were received from 16 companies/associations/developers. KREDL the nodal agency in the state also furnished operational and financial parameters.

The Commission held a public hearing in the matter on 28.12.2004 with due notice in the newspapers. The hearing was attended by the representatives of developers/associations/generating companies in addition to KREDL and KPTCL/ESCOMs.

After duly considering the written comments received and also views expressed in the hearing, the Commission has determined the tariff of Renewable Sources of Energy applicable for a period of 10 years from the date of commercial operation of the plant vide its Order dated 18th January 2005. The category-wise tariff determined by the Commission is as follows:

Sl. No	Category	Approved Tariff (Rs. per unit)	Remarks
1.	Mini-Hydel Projects	2.80	Without any escalation
2.	Wind Projects	3.40	Without any escalation
3.	Co-Generation Projects	2.80	Escalation of 2% per annum on base tariff
4.	Bio-mass Projects	2.85	Escalation of 2% per annum on base tariff

Some of the developers have filed a review petition before the Commission on the above order, which is under the consideration of the Commission.

2.4 Approval of Power Purchase Agreements

PPAs of Non-conventional power projects:

During FY05 the Commission received 99 PPAs pertaining to different non-conventional energy sources as detailed below:

Type of project	Number	Capacity in MW
Biomass	2	21.00
Co-generation	9	148.14
Mini hydel	18	149.65
Wind	70	188.70
Total	99	507.49

According to section 61 of the Electricity Act 2003, the Commission shall specify the terms and conditions for determination of tariff and in doing so shall be guided by various factors listed in (a) to (i) of that section. Further, according to proviso under section 61, the terms and conditions for determination of tariff under the Electricity (Supply) Act 1948, ERC Act 1998 and the Enactments specified in the Schedule (to Electricity Act 2003) shall continue to apply for a period of one year or until the terms and conditions for tariff are specified under that section, whichever is earlier. Accordingly, the Commission considered to approve the PPAs received up to 10.6.04 as per the terms and conditions prevailing prior to 10.6.04. Accordingly, out of the above 99 PPAs, the Commission has approved 49 PPAs which were entered into between the parties prior to 10.6.04. In respect of PPAs entered into between the parties after 10.6.04 under the terms and conditions prevailing prior to 10.6.04, these PPAs were returned by the Commission to KPTCL with directions to resubmit these PPAs in standard PPA formats to be approved by the Commission and also incorporating the tariff as determined by the Commission for various categories of NCE Projects in the Commission's order dated 18.1.05.

Detailed list of projects for which approval of the PPAs has been sought by KPTCL and action taken by the Commission thereon is furnished in **Annex 2.1**.

2.5 Determination of System Charges for use of Transmission and Distribution System and cross-subsidy surcharge.

The Commission had determined wheeling charges and transmission tariff in the Tariff Order 2003. However the Commission desired 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 had also requested the Government in April 03 to entrust this study to the Government's consultants.

According to KERC (Terms and Conditions of Open Access) Regulations 2004, the phase-I of Open access comes into effect from 10.06.2005 under which HT consumers with a contract demand of 15 MW and above with a voltage of 66 KV and above are eligible for open access. According to the said regulations, KPTCL/ESCOMs should have filed their applications before the Commission for determination of transmission charge, wheeling charge and cross subsidy surcharge. Since KPTCL/ESCOMs did not respond, the Commission has taken the initiative to determine these charges, as an interim arrangement, based on the available information with the Commission in order to give effect to the phase-I of the open access. The Commission issued a draft discussion paper on Transmission charges, wheeling charge and cross subsidy surcharge in April 05 inviting views and comments from the stakeholders.

In the matter of determination cross subsidy surcharge under Open Access, the Forum Of Indian Regulators (FOIR), had constituted a Group to study and recommend alternative methodologies. The Group had discussed Average Cost Method, Embedded Cost Method (CoS), Marginal Cost Method and Avoided Cost Method and had recommended adopting Avoided Cost method for computation of cross-subsidy. The Commission examined the proposal of the Group and came to the conclusion that Cost of Service methodology which is as per section 61 (g) of the Electricity Act 2003 would be appropriate. The Commission had also specified in its regulations on the Open Access that surcharge based on Cost of Service would be determined. The Commission is of the view that avoided cost method recommended by FOIR Group may not be

feasible since such power purchase is not avoidable in reality in a shortage situation and further that cross subsidy computed under the recommended method would result in negative cross subsidy for HT consumers. The Commission has communicated its views to FOIR accordingly, a copy of which is placed at **Annex 2.2**.

The Commission held a hearing in the matter of determination of transmission charge, wheeling charge and cross subsidy surcharge on 25.5.05 and 1.6.05. In the hearing, KPTCL/ESCOMs pleaded that CoS methodology would not be appropriate for the present for the reason that (i) tariffs are presently being determined on the basis of average cost of supply and (ii) CoS determination is a complex exercise involving lot of reliable data which is not available for the present. They requested the Commission to determine the surcharge on the basis of average cost of supply for the present. The Commission has agreed to the request of KPTCL/ESCOMs and has determined the surcharge with reference to average cost of supply for the present although this may result in loss of revenue to ESCOMs.

The Commission has issued the order on 9.6.05 determining the transmission charge, wheeling charge and cross-subsidy surcharge payable under the open access.

2.6 Special Incentive Scheme

The Commission had approved a special incentive scheme to HT industrial consumers with Rs. 3.80 per unit in the Tariff Amendment Order of Dec 03 duly indicating detailed terms and conditions of the scheme and the scheme was applicable for an initial period of one year. Subsequently BESCO, MESCOM and HESCO approached the Commission seeking amendment to the terms and conditions

regarding base consumption and MESCOM withdrew their request vide letter dated 8.04.2004. Considering the request of BESCO and HESCO, the Commission accorded approval to the proposed amendment in its Order dated 27.7.2004 and the amendment was made effective from 01.04.2004. At the end of one year, ESCOMs requested for continuation of the scheme and the Commission granted extension of 3 months from 1.1.05 vide letter dated 20.12.2004 duly informing the ESCOMs that the continuation of the scheme beyond 31.03.2005 would be examined after receiving the ERCs of the ESCOMs for FY06. However, the ERCs were not filed by the ESCOMs and instead they again requested the Commission to extend the scheme for a further period of six months or the effective date of next revision of tariff whichever is earlier. In the absence of ERCs, extension of viability of the special scheme could not be examined by the Commission. However, considering the request of the ESCOMs, the Commission in letter dated 31.3.05 accorded approval for continuation of the Special Incentive Scheme for a further period of six months from 01.04.2005 or till the effective date of next Tariff revision, whichever is earlier with the condition that "ESCOMs shall ensure that the financial condition of the ESCOMs are not affected adversely by continuation of the scheme and any financial implication due to the extension of the scheme has to be borne by the ESCOMs themselves without passing on the burden to other consumers".

2.7 Orders on Security Deposit (2 MMD/3MMD)

The Commission had issued an order on 24.01.2003 ordering that only two months' consumption charges shall be collected from new consumers. The above order was challenged by KPTCL/ESCOMs in MFAs No. 1832/203 and No. 2183/2003 before the Hon. High Court of Karnataka. The Hon'ble High Court after hearing all the aspects, has

allowed the appeals by setting aside the order of the Commission and remanded the matter to the Commission in their order dated 09.09.2003. The Commission fully heard the case *ab initio* and passed a majority Order dated 20th May 2004 in respect of Security Deposit (MMD) payable by the consumers to the ESCOMs as follows:

- i) "Two months consumption charges shall be collected from the new consumers as security deposit.
- ii) In case of existing consumers who have not committed any default in payment during the preceding calendar year additional deposit shall henceforth should 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."

It is learnt that the Hon'ble High Court of Karnataka has stayed this order.

The Regulations on Security Deposit, which is required to be formulated and issued as per Electricity Act 2003, has been withheld since the matter is before the Hon'ble High Court. .

2.8 KPTCL's Load Forecast

KPTCL had submitted a report titled "Demand Forecast, Demand Supply Scenario and Perspective Plan for the state of Karnataka for the 10th and 11th Plan Period" during August 2003. As discussed in the previous annual report, the Commission examined the forecast and after considering the comments of the stakeholders and experts, pointed out certain inadequacies in the preparation of the forecast and directed KPTCL to revise the forecast.

A revised load forecast was submitted by KPTCL during November 2004. A meeting with GoK, Licensees and experts in the matter was held on 4th January 2005. The Commission noted certain inadequacies in the revised report also and after considering the comments of the stakeholders and experts, directed KPTCL vide its letter dated 05.01.2005, to revise the load forecast such that the load forecast is linked to the business plan of the utilities with due firm commitment from the GoK. Minutes of the meeting held on 04.01.2005 and copy of the Commission letter in the matter is placed at **Annex 2.3 & 2.4** respectively. Compliance is yet to be provided by KPTCL.

2.9 Discussion paper on Electricity Trading

KPTCL is the State Transmission Utility and is also carrying out the trading of electricity within the state. According to the Electricity Act, 2003 and subsequent amendments, KPTCL cannot engage in electricity trading from 10.06.2005. Therefore it was necessary to look at alternative models for trading of electricity within the state to comply with the provisions of the Act. In this context the Commission issued a discussion paper in February 05 titled "Trading of Electricity in Karnataka" discussing different models for trading of electricity, for which comments were received from 16 stakeholders/experts. The Commission discussed this subject in the meeting convened on implementation of NEP held on 6.4.05. KPTCL and Special Secretary/GoK informed the Commission that GoK had initiated action in the matter to comply with the provision of the Act. Hence the Commission forwarded the discussion paper and the comments received thereon to GoK to take appropriate action. GoK has since issued order on 10.5.05 assigning the PPAs to the ESCOMs.

2.10 Elimination of Cross Subsidy

Section 61(g) of the Electricity Act 2003 stipulates that the tariff shall progressively reflect the cost of supply of electricity and further that cross-subsidy shall be progressively reduced and eliminated within the period to be specified by the Appropriate Commission. Further, under section 39 of the Act regarding functions of the State Transmission Utility, section 40 regarding duties of the transmission licensees and section 42 regarding duties of distribution licensees, in the matter of providing open access, it is indicated that surcharge and cross subsidies shall be progressively reduced and eliminated as may be specified by the State Commission.

The Commission has already taken measures to rationalize the tariff in the previous tariff orders and has reduced cross-subsidies of industrial and commercial category of consumers to some extent. The Commission is of the view that GoK has also to be involved in the matter of reduction of subsidies as it depends upon fixing tariff to cross-subsidized category of consumers such as IP sets, BJ/KJ categories. Any reduction in cross-subsidy will either require the tariff of cross-subsidized category to be increased or will increase subsidy burden on the GoK. In this connection Commission has addressed a letter to GoK during February 2005 requesting the Government to communicate its views as to the long term policies of the Government over the next five to ten years in the matter of i) Tariff for Bhagaya Jyothi, IP sets and any other category and ii) subsidy policy of the Government for the sector to fund the revenue gap. This would enable the Commission to bring out draft regulations on the subject of reduction and elimination of cross-subsidies as contemplated in the Act. Letter addressed to GoK in this regard is placed in **Annex 2.5**. Till such time regulations regarding reduction of cross-subsidies are framed and notified the issue of reduction of

cross-subsidy could be continued to be addressed in the tariff orders.

2.11 Cost of Service Studies

The Commission had felt that the task of preparing the cost of service rests with the Licensees and the activity needs to be institutionalized by the Licensees to carry out the task on a sustained and continuous basis. This however requires the capacity of the Licensees to be significantly strengthened. With this in mind, in December 02, the Commission had written to PWC the then consultants to GoK on institutional strengthening, to take up the cost of service studies on a sustained and continuous basis in a professional manner. The Commission had again written to GoK in April 03 also. PWC who were the ISP consultants to GoK, carried out CoS studies for HESCOM. After considering the comments of the Commission, the model was finalized by PWC. Electricity Act, 2003 also mandates determination of tariff on the basis of cost of Supply. The Commission, vide its letter dated 11th June 2004, has written to GoK to take action to implement the CoS model in all the ESCOMs. The ESCOMs are yet to come out with CoS studies.

2.12 Establishment of Long Term tariff Principles

The Commission had issued a discussion paper in April 03 on Multi Year Tariff (MYT) inviting comments and suggestions. Comments were received from experts. In the meanwhile GoK proposed certain amendments to the KER Act, which included matters relating to MYT. The Commission furnished its comments to the GoK on the proposed amendments. According to Section 61 of the Electricity

Act 2003, MYT tariff principles are one of the guiding factors for the Commission for determination of tariff. The Commission will deliberate in the matter further for introduction of MYT principles.

2.13 Comments on Draft Papers issued by GOI

2.13.1 Comments on National Electricity Plan

Under the provisions of the Electricity Act 2003, the GoI had issued a Draft National Electricity Plan and had invited comments from the Commissions. Accordingly, the Commission has furnished its comments vide letter dated 09.03.2005, a copy of which is placed in **Annex 2.6**

2.13.2 Comments on draft regulations prepared by CEA on I) Installation and operation of meters and ii) Grid connectivity

CEA had issued draft regulations under Electricity Act 2003, on I) Installation and operation of meters and ii) Grid connectivity. The Commission has furnished its comments vide letter dated 03.02.2005.

2.13.3 Comments on Draft National Tariff Policy issued by GoI

The MOP/GoI had issued a draft National Tariff Policy on 16th March 2005 inviting comments from the State Governments and the State Regulatory Commissions. The Commission has sent its detailed comments vide letter-dated 06.04.2005

2.14 Review of Licensee's Operations

Regular review meetings with ESCOMs and KPTCL are being conducted in order to review their performance. The following Agenda is followed in all the meetings:

1. Power supply position
2. Energy Auditing & Loss reduction
3. Automatic Meter Reading (AMR) of HT installations
4. Commercial Loss reduction and Vigilance activities
5. Revenue collection and Arrears position
6. Capital Investment Programme
7. MIS
8. Accidents and Remedial measures
9. Assessment of IP set consumption
10. Distribution transformer failures
11. Status of interface metering
12. Performance of GVPs

2.14.1 Reporting Formats for Performance Evaluation and Benchmarking

In order to establish baseline values in respect of some important parameters to enable to assess and evaluate the performance of the ESCOMs, the Commission had finalized Monthly and Quarterly Reporting Formats in consultation with the ESCOMs. The data as per the format is being furnished by the ESCOMs monthly/quarterly.

Status of data received from the four ESCOMs is furnished in the following Table:

Name of ESCOM	Monthly Format	Quarterly Format
BESCOM	Furnished up to March 05	Furnished up to IV Quarter 2004-05
MESCOM	Furnished up to February 05	Furnished up to III Quarter 2004-05
HESCOM	Furnished up to February 05	Furnished up to IV Quarter 2004-05
GESCOM	Furnished up to March 05	Furnished up to IV Quarter 2004-05

The reports are reviewed and comments are being sent to ESCOMs regularly by the Commission. These reports are also discussed in the periodical review meetings with the ESCOMs. Data furnished by the ESCOMs is made available on KERC web site.

2.14.2 Computerization and MIS in KPTCL/ESCOMs

The Commission is continuously monitoring the Computerization and MIS programme of KPTCL and ESCOMs. KPTCL initiated the computerization in the year 1996 by entrusting the development of the following packages to TCS.

- i. Billing and Collection
- ii. Project Management
- iii. Material Management
- iv. Maintenance Management
- v. Finance and Accounting
- vi. Personnel and Pay roll

With the formation of ESCOMs in June 2002, the ESCOMs initiated their own computerization and MIS programmes. The status of computerization and MIS in various ESCOMs is as follows:

a) BESCOM

Billing activity is computerized in 39 sub-divisions of BMAZ and 13 divisions in BRAZ using TCS software. The ledgers are done away with. BESCOM has outsourced spot billing and total revenue management in the remaining 45 sub-divisions from January 2004.

Centralized data storage of consumer account information is put in place by BESCOM which helps the consumers to view their billing history. 31 numbers of Any Time Payment (ATP) kiosks have been started in BESCOM as on 01.05.2005.

BESCOM has hosted its website www.bescom.org. BESCOM proposes to implement cash management system, works management system, transformer management system. transformer centre wise energy auditing has been initiated in BMAZ. BESCOM is also introducing on pilot basis automatic meter reading and Rural Load Management System (RLMS). Spot billing in BMAZ area is also envisaged by BESCOM.

b) MESCOM

MESCOM has implemented on a pilot basis Billing and Collection in one sub-division each in Mangalore and Shimoga. In the remaining 25 sub divisions, MESCOM has proposed to implement B & C in a phased manner.

Corporate Performance Reporting System and LT Urban efficiency Improvement package with the assistance of PWC has been implemented by MESCOM.

c) HESCOM

HESCOM has taken up computerization of its billing activity in all its 62 sub divisions. The above activity has been outsourced

to 5 different agencies. HESCOM has proposed to do away with manual ledgers once the billing activity is computerized in toto.

DTC wise energy audit is being initiated in Belguam and Bijapur circles of HESCOM.

d) GESCOM

GESCOM has computerized its billing activity in 4 urban subdivisions. Action has been initiated by GESCOM to computerize billing activity in all other subdivisions also. GESCOM has hosted its website www.gescom.org

The Commission notes that urgent steps are required to implement the B&C package in all the subdivisions in the State in a time bound manner. Action should also be taken to complete computerization of other packages listed above. The Commission would continuously monitor the computerization and MIS in ESCOMs so that they are implemented effectively to reap the benefits of IT.

2.14.3 Interface Metering:

The Commission has been stressing for providing proper metering at all interface points between KPTCL and ESCOMs since the formation of ESCOMs. As the recording of input energy to ESCOMs forms the basic necessity to properly account the energy, it is very important to keep all the meters at the interface points in good working condition. The energy accounting is needed at 3 stages, viz., from generation to transmission, from transmission system to distribution system and from distribution system to consumers. Several of the interface points at transmission to distribution system are not metered as yet and at many of the points the meters provided are reported faulty. At the same time the metering system does not have the meters and instrument transformers of appropriate class of

accuracy as provided in the agreements between KPTCL and ESCOMs. Further, in view of the need for implementing intra-state ABT in the near future, it is necessary to have metering system, which is ABT compliant. In view of the importance of metering the interface points, several meetings have been held by the Commission with KPTCL and ESCOMs. It has also been emphasized in all the meetings the need to have standardized metering system to facilitate early replacement in cases of failures and also to reduce the inventory in the stores. KPTCL has been requested to submit an action plan to make the entire interface metering ABT compliant and to replace the meters and the instrument transformers of appropriate class of accuracy. The following table provides the details of number of interface points between KPTCL and ESCOMs as at the end of March 2005:

Metering Point	Bank IF		EHT			IPP		Total
	11 KV	33 KV	66 KV	110 KV	220 KV	11 KV	33 KV	
ESCOM	11	33	66	110	220	11	33	
BESCOM	455	5	31	0	6	5	0	502
MESCOM	214	24	14	6	1	12	0	271
HESCOM	152	94	1	2	1	1	10	261
GESCOM	115	46	2	9	2	4	8	186
Hukkeri	4	3	0	0	0	0	1	8
Total	940	172	48	17	10	22	19	1228

Details of faulty Interface points are as follows (At the end of April 05)

Metering Point	Bank IF		EHT			IPP		Total
	11 KV	33 KV	66 KV	110 KV	220 KV	11 KV	33 KV	
ESCOM	11	33	66	110	220	11	33	
BESCOM	7	0	0	0	0	0	0	7
MESCOM	0	0	0	0	0	0	0	0
HESCOM	5	1	0	0	0	0	0	6
GESCOM	1	0	0	0	0	0	1	2
Hukkeri	0	0	0	0	0	0	0	0
Total	13	1	0	0	0	0	1	15

A DO letter dated 29.04.2005 from the Chairman KERC has been addressed to all the MDs of ESCOMs and KPTCL directing them to take necessary action to rectify the meters and also to make them ABT compliant for which an action plan is yet to be submitted.

2.14.4 Review of Energy Audit and Losses

The Commission continued its efforts with KPTCL and ESCOMs to reduce the losses in the system. The Commission has been emphasizing the need to reduce the losses to improve the finances of the utilities apart from benefits to the consumers. In Tariff Order 2003 the Commission had allowed T&D losses at 28% for FY04, which was at the same level as in FY 03.

The actual T&D loss for FY 04 is reported to be 30.70% as against the 31.39% in FY 03. The transmission loss reported for FY 04 is 4.87% as against 6.39% in FY 03. The reduction achieved in the transmission loss in FY04 is quite satisfactory and the Commission appreciates the effort made by KPTCL in this regard. Further as per the ERC filed by KPTCL for FY06, transmission loss is estimated as 4.8%, which is a further reduction from FY04 level. However, there is no reduction in distribution level in FY04 but on the other hand there is increase in distribution loss in FY 04 over the loss level in FY 03.

The Commission has been monitoring distribution losses in 46 towns and cities having population of more than 50,000 for the last four years. During the last census it was noticed that seven more towns have a population of more than 50,000. The Commission has directed the ESCOMs to include these towns also for monitoring the distribution losses along with the 46 towns and cities, which were being monitored earlier.

In respect of the 53 towns/cities in which energy audit is being monitored by the Commission, the distribution loss reduction efforts of the ESCOMs has been found wanting. The Commission's directive to reduce the distribution losses to a maximum of 15% in each of these towns are yet to be complied with by the ESCOMs. From the monthly reports received from the ESCOMs up to Dec 04, it is observed that the losses have increased in a few towns/cities when compared to loss level in FY03. Clarifications on such a trend have been sought from the respective ESCOMs. Losses in respect of all towns/cities in GESCOM are more than 15% and this trend is continuing for the last 5 years in spite of continuous follow up by the Commission. In BESCOM 7 out of the 15 towns/cities monitored have more than 15% loss. In HESCOM 12 out of 16 towns/cities were having more than 15% losses in FY04. In respect of MESCOM out of 11 towns/cities the losses in respect of 3 of them are above 15%.

A table indicating the loss levels during FY 04 and that during FY05 (Up to December 2004) is given below:

ESCOM	FY04		FY05	
	Name of ESCOM	No. of towns	No of towns where losses are less than 15%	No. of towns
BESCOM	14	4	15	8
MESCOM	10	8	11	8
HESCOM	12	1	16	4
GESCOM	10	Nil	11	Nil

Note: Data from one town in BESCOM for FY05 has not been furnished. BESCOM has taken up DTC wise energy auditing in 52 towns and cities with population of above 20,000, by providing electronic tri-vector meters to 18,000 DTCs. They have already fixed about 15,000 meters out of which auditing is in progress in 12,500 DTCs.

It is reported that in Bangalore City the losses in the case of some of the distribution Transformer centers has come down to the level of 4% from about 20%. The Commission has directed BESCOM to pursue with the DTC-wise energy auditing rigorously in Bangalore City.

In respect of other ESCOMs several of the DTCs have been metered under APDRP. The Commission has directed to furnish the results of energy audit on such DTCs.

2.14.5 Review of 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 had 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 proceedings, 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.
2. The Commission while reviewing the electrical accidents occurred during FY05 in KPTCL, BESCOM, MESCOM, HESCOM and GESCOM has observed that the total number of accidents in the state has **increased by 29.82 %** compared to FY04.
3. From the review of electrical accidents that have occurred in BESCOM, MESCOM, HESCOM and GESCOM during FY05 the Commission had observed that maximum number of accidents (353 nos.) had occurred in MESCOM and minimum number of accidents (299 nos.) had occurred in BESCOM

4. The Commission in its letters dated 5.9.2003/10.9.2003 and in reminders, there on, directed the ESCOMs to prepare time bound "action plans" to carry out remedial measures as suggested in the Commission's letters to bring down the accidents to a minimum. But the ESCOMs (except GESCOM) have not prepared any "action plan" in this regard, so far.
5. The comparison of ESCOM wise details of accidents occurred during FY04 and FY05 is as follows:

COMPANY	Year	Fatal Human	Non-fatal Human	Fatal Animals	Total	Solatium paid in Rs. Lakhs
KPTCL	FY04	8	17	-	25	0.96
	FY05	5	25	-	30	-
BESCOM	FY04	58	108	40	206	21.68
	FY05	119	93	87	299	9.07
MESCOM	FY04	53	101	101	255	27.33
	FY05	88	118	147	353	62.44
HESCOM	FY04	76	86	78	240	10.09
	FY05	72	107	130	309	21.28
GESCOM	FY04	55	46	177	278	12.79
	FY05	52	62	196	310	27.62
TOTAL	FY04	250	358	396	1004	72.85
	FY05	336	405	560	1301	120.41

6. It is seen from the above table that the number of accidents during FY05 is more in respect of MESCOM and GESCOM and less in respect of BESCOM and HESCOM. However, for the state as a whole, the number of accidents has **increased by 29.82%**.

7. The intervention of the Commission on the matters of electrical accidents has resulted in prompt payment of

solatium and speedy disposal of investigation by the Chief Electrical Inspector.

2.14.6 IP sets consumption

1. The estimation of the consumption of IP sets is an important issue, which directly affects the computation of the level of losses in the system. The Commission in its letter no. 1/11/02/1830 dated 7-11-2002 had 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. In the ERC for FY05, BESCO, HESCO and GESCO have stated that they could not achieve progress in fixing the meters to the IP sets due to resistance and agitations from the farmers. However, only MESCOM has achieved considerable progress in this regard.
2. The Commission has estimated the IP consumption for FY05 as 9163.34 MU(without losses) based on the monthly reports furnished by ESCOMs and considering LT line loss as 10%, 7.5%, 8% and 8% for BESCO, MESCOM, HESCO and GESCO, respectively.
3. The estimated specific consumption by the Commission in the Tariff Order 2003, the actual specific consumption as per monthly reports and the total IP consumption as per monthly reports of the four ESCOMs for FY04 and FY05 are shown in the table below:-

For FY04

Sl. no.	ESCOMs	Specific consumption in kwh/ip/year as estimated by the Commission in Tariff Order 2003	Specific Consumption in kwh/ip/year as per monthly reports	Total consumption of IP sets in M.U. as per monthly reports
1	BESCOM	7055	7320	3530.07
2	MESCOM	4280	4993	1607.49
3	HESCOM	5594	6247	2402.18
4	GESCOM	7197	6381	1253.47
	Total	6013	6348	8793.21

For FY05

Sl. no.	ESCOMs	Specific Consumption in kwh/ip/year as per monthly reports	Total consumption of IP sets in M.U. as per monthly reports
1	BESCOM	7252	3530.88
2	MESCOM	4737	1541.83
3	HESCOM	7027	2590.77
4	GESCOM	7404	1499.86
	Total	6622	9163.34

From the above tables it can be seen that:

- a) There is an increase of 4.31% in the specific consumption of IP sets in the State during FY05 compared to FY04
- b) There is an increase of 4.21% in the total consumption of IP sets in the State during FY05 compared to FY04.

2.14.7 Study on IP sets' consumption:

- a) At present the ESCOMs are furnishing the assessed consumption of IP sets to the Commission every month based on the readings obtained from meters fixed to the sample DTCs which are predominantly feeding to IP sets, after deducting the estimated line losses and the metered consumption of non-IP loads. The consumption of IP sets forms a significant portion of total energy consumption in the state.

The ERC and Tariff filings are based on the estimated total consumption of IP sets. More importantly, the quantum of subsidy commitment from GoK is also calculated on the basis of the assessed consumption of non-metered categories, which forms a significant percentage of the total sales. Doubts have also been expressed by Government as well as by Members of the Commission Advisory Committee during meetings regarding the reliability and accuracy of the assessed consumption being arrived at based on sample meter readings. Members have felt that the consumption of IP sets is being overstated. The Commission has therefore felt that this required an independent study to be instituted to validate the IP sets consumption details being provided by the ESCOMs.

- b) The Commission has invited tenders for conducting "Study on computation of IP sets consumption based on DTC metered sampling points" by selecting one DTC sampling point in each of the 175 Taluks in the state of Karnataka. It is proposed to carry out the studies for a period of 12 months and furnish a report to the Commission besides validating the monthly data furnished by ESCOMs. The tenders are under process of evaluation.

2.14.8 Universal metering programme

Section 55 of the Electricity Act 2003 specifies that no licensee shall supply electricity after the expiry of two years from the appointed date (10.6.2003) except through installation of a correct meter. Therefore, universal metering has become a mandate under the Act. ESCOMs have already undertaken universal metering programme from 2002 itself as per the policy directive of the

Government. The progress of ESCOMs under universal metering programme as on 31-3-2005 is indicated in the table below:

METERING OF IP SETS, BJ/KJ AND STREET LIGHT INSTALLATIONS AS ON 31-3-2005 IN ESCOMs

Sl. No.	ESCOM	Total no. of IP installations existing as on 31-3-2005	Total no. of IP installations for which meters are fixed as on 31-3-2005	Total no. of BJ/KJ installations existing as on 31-3-2005	Total no. of BJ/KJ installations for which meters are fixed as on 31-3-2005	Total no. of Street Light installations existing as on 31-3-2005	Total no. of Street Light installations for which meters are fixed as on 31-3-2005
1	BESCOM	490244	21746 (4.43%)	367841	227436 (61.82%)	18389	13342 (72.55%)
2	GESCOM	206798	10707 (5.17%)	407474	204534 (50.19%)	7337	7337 (100%)
3	HESCOM	391046	129404 (33.09%)	279588	243283 (87.01%)	9767	9767 (100%)
4	MESCOM	326819	174483 (53.38%)	223018	112176 (50.29%)	19672	11021 (56.02%)
5	TOTAL	1414907	336340 (23.77%)	1277921	787429 (61.62%)	55165	41467 (75.17%)

The Commission has requested the ESCOMs to come up with concrete proposals to complete the universal metering programme in a definite timeframe as mandated in the Act.

2.14.9 Transformer failures:

ESCOM wise details of percentage rate of failure of distribution transformers in the last three years is furnished in the following table:

Sl. no.	ESCOM	FY03	FY04	FY05
1	BESCOM	14.79%	12.98%	13.27%
2	MESCOM	18.32%	17.81%	15.04%(up to end of III Quarter)
3	HESCOM	16.99%	14.94%	15.12%
4	GESCOM	NA	16.37%	21.07%

It can be seen from the above table that the rate of failure of distribution transformers have increased in all the ESCOMs during FY05 compared to the rate of failure during FY04

2.14.10 Review of Capital Investment Programme

(i) Capital Investment Programme of KPTCL for FY05

KPTCL had submitted a detailed capital investment programme for FY05 amounting to Rs. 910 crores along with the ERC filing for FY05. The Commission noted that the proposed investment of Rs. 910 crores was abnormally high when compared to the previous year's actual expenditure of Rs. 323.00 crores and requested KPTCL to provide justification, KPTCL furnished clarifications and attended to some of the observations, vide letter dated 16.08.2004 and subsequently revised the investment programme to Rs. 875 crores vide KPTCL letter dated 18.08.2004. Since the proposed investment programme was still on the higher side, KPTCL was further requested to review the actual expenditure incurred during the first six months and come out with more realistic investment programme for FY05 vide KERC letter dated 27.10.2004. As the year FY05 is already over, the Commission will review the actual expenditure incurred during the year as furnished by KPTCL in order to take a view on the quantum of expenditure to be allowed for FY05.

(ii) DPRs of Projects under transmission Schemes of KPTCL

KPTCL had forwarded 10 numbers of DPRs costing more than Rs. 5 crores each under the transmission schemes for the approval of the Commission vide letter-dated 26.05.2004. In view of certain discrepancies in the DPRs, the Commission held

a meeting with KPTCL on 23.08.2004 in this matter and KPTCL agreed to revise and resubmit the DPRs. KPTCL submitted revised DPRs vide letter-dated 1.01.2005. Since the discrepancies pointed out by the Commission continued in the revised DPRs also, the DPRs have been returned to KPTCL vide letter-dated 08.02.2005 and they are yet to be complied with.

(iii) Capital Investment Programme of BESCO for FY 05

BESCO had submitted a detailed capital investment programme for FY05 amounting to Rs. 1268.44 crores. Several observations were made by the Commission on this programme. It was also pointed out that compared to the investment programme for previous year viz., FY 04 which was Rs. 381.61 crores, the amount proposed at Rs. 1268.44 crores appeared to be very high, especially the provision for APDRP works amounting to Rs. 986.10 crores, while the projects sanctioned by MoP was only to a tune of Rs. 365.54 crores. BESCO while furnishing clarifications in February 05 reduced the investment plan for FY 05 from the original Rs. 1268.44 crores to Rs. 423.00 crores citing the delay in sanctioning of some APDRP projects as the reason for pruning the investment programme. Since the FY05 was almost over by the time revised proposal was received, the Commission has requested BESCO to furnish the actual expenditure for FY05, for review by the Commission, vide KERC letter dated 24.02.2005.

(iv) APDRP Schemes of BESCO

BESCO had submitted scheme report in respect of the APDRP works proposed to be carried out in Anekal, Bangarpet, Chandapur, Channapatna, Chikkaballapura, Chintamani,

Chitradurga, Doddabalapura, Harihara and Ramanagara towns at an estimated cost of Rs. 24.55 crores. The Commission after examining the scheme, which has already been approved by the MoP, conveyed to BESCOM approval in April 05 with the condition that (i) BESCOM shall have to arrange through an independent assessing agency to certify the benefits after completion of the scheme and in case the anticipated benefits do not accrue, the Commission will be constrained to disallow the expenditure, (ii) BESCOM has to take initiative in claiming incentivised grants towards the loss reduction achieved by completing the APDRP schemes approved in 2003 and report the action taken in the matter to the Commission.

(v) RLMS Scheme of BESCOM

BESCOM had submitted a scheme report in respect of the RLMS scheme with an estimated cost of Rs. 98.40 crores (which was subsequently revised to Rs. 89.71 crores based on the comments made by KERC) for the approval of the Commission vide their letter-dated 08.06.2004. The scheme envisaged providing PLC (Programmable Logic Controllers) and bifurcating IP loads etc by which it would be possible to supply 24 hours power supply to all the rural consumers except IP consumers. According to BESCOM this arrangement would be able to regulate the number of hours of power supply to the rural IP sets on the basis of government policies from time to time and at the same time giving 24 hours power supply to the other rural consumers. The Commission after examining the scheme sought several clarifications. The Commission also noted that the scheme was proposed to be implemented based on pilot studies conducted only for about six months in

respect of only 2 rural feeders in Magadi Taluk. In view of the inadequacy of the period as well as the number of feeders involved in the pilot studies conducted by BESCOM, the Commission directed that studies be conducted in the whole of Magadi taluk for a period of one year and come up with suitable proposals based on the results of the studies conducted in Magadi taluk, vide KERC letter dated 01.02.2005. BESCOM again represented stating that the RLMS scheme is technically and financially viable and that investment would be paid back in about two years etc. and hence requested to approve the scheme for 250 feeders as proposed, vide their letter dated 18.02.2005. The Commission while examining the scheme felt that although the scheme was technically sound there was likelihood of the consumers meddling with the PLC system and therefore the viability of the scheme needs to be further studied. The Commission also felt that as GoK has been issuing policy decisions in respect of arranging power supply to the IP sets, it would be advisable for BESCOM to approach GoK for issuing policy directives for arranging power supply to IP sets through RLMS, as Clause 6.06 of the amendment to KERC (ES&D) Code states that the power supply to the irrigation wells shall be arranged as per the policy directives of Government of Karnataka from time to time. In the meanwhile BESCOM has forwarded a revised DPR in respect of the RLMS scheme. In the revised DPR, 282 numbers of 11 KV Rural feeders are considered for implementation of the scheme instead of the original 250 numbers of 11 KV Rural feeders and the DPR cost was also revised from the original Rs. 89.71 crores to Rs. 195.43 crores vide their letter dated 04.04.2005. BESCOM has claimed that the increase in cost of the scheme is due the fact that the estimates have been prepared based on actual survey conducted on each feeder and more realistic costs etc. The

Commission examined the matter in detail and felt that viability and acceptability of the scheme needs to be established through pilot studies and has reiterated to BESCO in June 05 to complete pilot scheme in the whole of Magadi Taluk for a period of one year and come out with results of the study for consideration.

(vi) Capital Investment Programme of HESCOM

HESCOM submitted a detailed capital investment programme for FY05 amounting to Rs. 851.95 crores. Subsequently after KERC sought certain clarifications HESCOM revised the capital investment programme to Rs. 506.39 crores, which, it claimed to be more realistic, based on the actual expenditure incurred during the first six months of the year. The Commission has accorded 'in-principle' approval for the capital investment programme of HESCOM amounting to Rs. 506.39 crores.

(vii) DPRs in respect of 33 KV Lines and Sub-stations of HESCOM

HESCOM had submitted DPRs in respect of 15 numbers of 33 KV substations whose estimated costs were more than Rs. 1 crore vide their letter-dated 21.04.2004 and furnished revised DPRs after the Commission pointed out certain discrepancies. The Commission has conveyed its approval to the following schemes after HESCOM attended to the discrepancies pointed out by the Commission, in Dec 04.

Sl. No	Name of the work	District	Estimated cost in Rs. lakhs
1	Establishing 33 KV sub-station at Sankonatti	Belgaum	213.10
2	Establishing 33 KV sub-station at Hoovina Hipparagi	Bijapur	220.53
3	Establishing 33 KV sub-station at Bantnur	Bagalkot	222.01
4	Establishing 33 KV sub-station at UAS Dharwad	Dharwad	180.13

5	Establishing 33 KV sub-station at Muttagi	Bijapur	219.19
6	Establishing 33 KV sub-station at Managoli	Bijapur	177.94
7	Establishing 33 KV sub-station at Bijjaragi	Bijapur	239.16
8	Establishing 33 KV sub-station at Karadi	Bagalkot	248.79
9	Establishing 33 KV sub-station at Kone	Uttara Kannada	167.37
10	Establishing 33 KV sub-station at Uppina Bettageri	Dahrwad	260.42

In respect of the balance five DPRs, In view of the fact that works in respect of some of the sub-stations have already been commenced, the Commission conveyed in principle approval for the following five works, subject to submitting revised DPRs after attending to the observations made by KERC.

Sl. no.	Name of the work	District
1	Establishing 33 KV sub-station at KMC Hubli	Dharwad
2	Establishing 33 KV sub-station at Uchegaon	Belgaum
3	Establishing 33 KV sub-station at Kusugal Road	Dharwad
4	Establishing 33 KV sub-station at Neginahal	Belgaum
5	Establishing 33 KV sub-station at Kalbilagi	Bagalkot

(viii) Work of arranging power supply to houses built under Rajiv Gandhi Rural Housing Corporation Ltd (RGRHCL) under Capital Investment Programme of HESCOM

HESCOM had submitted scheme report amounting to Rs. 62.25 crores for the work of arranging power supply to 85,130 houses built by the RGRHCL under letter dated 27.03.2004. The Commission after scrutiny pointed out several discrepancies in the scheme report and also sought certain clarifications. After further correspondence HESCOM furnished necessary clarifications and also furnished revised scheme Report after attending to all the observations. The Commission after reviewing the revised scheme report and the clarifications furnished by HESCOM conveyed approval to the scheme

report amounting to Rs. 65.24 crores in KERC letter dated 06.09.2004

(ix) **Providing meters to all the Distribution transformer centers in MESCOM -Request for approval of the DPR.**

MESCOM had submitted proposal for providing meters to all the DTCs in its jurisdiction for the purpose of conducting energy audit, at an estimated cost of Rs. 41.06 crores in MESCOM letter dated 06.01.2005. As the proposal was not as per the requirement of KERC, MESCOM was requested to resubmit the proposal in the form of a DPR furnishing detailed cost estimates, cost-benefit analysis, details of calculation of pay-back period, details of financial tie-up with the financing agencies etc in KERC letter dated 13.01.2005. MESCOM furnished DPR amounting to Rs. 52.61 crores, incorporating all the details as required by KERC and submitted the same for approval of the Commission. The Commission after review of the DPR was of the opinion that in the light of the Section 55 of Electricity Act 2003, which mandates that no installation shall be supplied power without a meter after 10.06.2005, there is no justification in providing meters to DTCs. Accordingly a letter has been addressed to MESCOM requesting them to provide necessary clarifications and justification for providing DTC meters.

2.15 Review of DCB of the Licensees

The Commission receives DCB statements from all the ESCOMs every month and the same are reviewed periodically and comments are provided to the ESCOMs. The DCBs are also taken up for discussion in the review meetings with the ESCOMs.

An abstract of DCB of KEB/KPTCL for the period from 1996 to 2001 and that of the ESCOMs considered together for the period from 2002 onwards is furnished below:

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	5257.15	5078.72	96.60
FY04	6031.90	5950.90	98.66
FY05	6751.67	6317.71	93.57

It is noted that the increase in collection efficiency during FY03 is due to BRP adjustments. Excluding BRP adjustments, the collection efficiency was 84.49%. Similarly the increase in collection efficiency during FY04 is due to adjustment of IP set arrears to an extent of Rs. 756.61 crores by GoK through waiver. During FY05 also a sum of about Rs. 112 crores is shown as recovery through adjustments against waiver of arrears of BJ/KJ installations by GoK. Without these adjustments the collection efficiency would be 86.11% for FY04 and 91.91% for FY05.

ESCOM wise comparison of collection efficiency in FY05 including adjustments is as follows:

ESCOM	Revenue Demand	Collection	Collection as % of current year's demand
BESCOM	3632.03	3455.19	95.13
MESCOM	1455.70	1486.91	102.14
HESCOM	958.76	759.32	79.20
GESCOM	705.18	616.29	87.39
Total	6751.67	6317.71	93.57

ESCOM wise arrears outstanding as at the end of March 05 is given below:

ESCOM	Revenue outstanding in terms of months in FY04	Revenue outstanding in terms of months in FY05
BESCOM	2.86	3.12
MESCOM	4.44	3.82
HESCOM	4.85	6.71
GESCOM	6.32	7.24

It is noted that the receivables has increased over the previous year in all the ESCOMs except in MESCOM. ESCOMs have been advised to take steps to improve the billing and collection efficiency and to reduce the outstanding arrears.

2.16 Communication with State Government:

2.16.1 Tariff of wind power projects

GoK in Order No.EN 13 NCE 2003 (P), Bangalore, dated 24.2.2005 had approved a revised structure of tariffs to wind power projects, which are commissioned before 31.8.2003. The Commission after examining the GoK order felt that the action taken by GoK in revising the tariff structure was not proper, as any revision in tariff rates in respect of the already executed agreements has to be given effect to only with the approval of the Commission. A letter was therefore addressed to GoK pointing out that the GoK order dated 24.02.2005 is clearly not in conformity either with the KER Act 1999 or with the Electricity Act 2003 and cannot be implemented by the KPTCL/ESCOMS. Copy of the relevant letter is placed in **Annex**

2.7 However, GoK has replied stating that the Government has not determined the tariff for wind energy, but has only modified its earlier order dated 24.02.2005 in such a way that it results in slight reduction in the tariff and lower financial burden on power utilities. This was based on the representation by KPTCL. Government has further looked forward to KERC approving the Government's order as this involved reduction of tariff. Copy of relevant letter is placed in **Annex 2.8**

2.16.2 Distribution Losses in ESCOM system

The Commission, in Tariff Order 2000 and also in the subsequent correspondence and review meetings has repeatedly reiterated to the ESCOMs to reduce the distribution loss effectively. The Commission in this connection had also urged the Utilities to consider the commercial loss reduction in the distribution system seriously with better house keeping which involves least financial burden on the utilities. The efforts made by the utilities so far have not been up to the desired level and therefore have not made much of a dent on losses. It is amply evident from the above, that there is lack of commitment on the part of the ESCOMs in loss reduction efforts. Unless the losses are reduced, the finances of the utilities cannot be improved.

Even in the Tariff Orders 2002 and 2003 the Commission had observed that the losses had increased from the levels of the previous years in the distribution system. The T&D losses approved by the Commission for FY 03 and FY 04 was 28% and the ERC was approved based on these loss levels. The Commission therefore felt that this lack of commitment on the part of the utilities should be brought to the notice of the GoK as the owner of the utilities, in order that a follow up action would be taken up by GoK in the matter.

Accordingly a letter was addressed to GOK a copy is placed in **Annex 2.9**. Further to this a D.O a letter has been addressed to the Principal Secretary GoK in this regard.

2.16.3 Policy Directive from GoK on subsidized tariff to power loom Industries

The GoK vide Order No. CI-70 Jakaie 2004 dated 9.11.2004 issued by Commerce and Industries Department have approved subsidized tariff to power loom industries in the State of Karnataka at the rate of Rs. 1.25 per unit for the energy consumed by the power looms having a power connection up to 10 HP & 10 looms and the GoK has undertaken to pay the difference amount as subsidy to ESCOMs. The order is effective from 2nd October 2004. Under the provisions of Section 65 of the Electricity Act 2003, the Commission has issued an order specifying the manner of payment of subsidy by the Government, by directing the ESCOMs to collect the amount of subsidy due on this account from the Government on a quarterly basis before commencement of each quarter. A copy of the Commission's order is placed at **Annex 2.10**

2.17 Petitions and appeals disposed of

A summary of petitions, Review Petitions and Appeals received by the Commission, disposed off during the year and pendency up to March 2005 is given below:

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.	11	22	26	7
2	Review Petitions	2	6	4	4
3	Appeals under Section 40 of KER Act	-	6	6	0
	Total	13	34	36	11

Details of petitions/Appeals filed during the year are shown in Annex **2.11**

Details of High Court cases where the KERC is a party are shown in **Annex 2.12**

2.18 Appeals against the Commission's orders on PPAs:

(i) PPA between KPTCL and KPCL for RTPS units 1 to 7

The Commission had issued order on 25.07.2002 approving PPA between KPTCL and KPCL for RTPS units 1 to 7 with certain modifications. KPCL has challenged the Order of the Commission in the Hon'ble High Court vide MFA 6225 of 2002 and the case is pending before the Hon'ble High Court.

(ii) PPA between KPTCL and Jindal Thermal Power Co. Ltd.

The Commission had passed its Order on this matter on 22.05.2002. JTPCL had challenged the Order of the Commission in the Hon'ble High Court vide MFA No.4795 of 2002. The Hon'ble High Court has pronounced the judgment on 8.4.2004 setting aside the impugned order of the Commission. The Commission has filed SLP in the Hon'ble Supreme Court of India.

(iii) PPA between KPTCL & KPCL for Hydro stations

The Commission had passed Orders on the PPAs of Hydro power stations of KPCL on 10.04.2003. However KPCL has challenged the above Order of the Commission in the Hon'ble High Court of Karnataka vide MFA 4256 of 2003 and the case is pending before the Hon'ble High Court.

(iv) PPA between KPTCL and KPCL for Almatti Dam Hydro Power Station

KPTCL had filed an application before the Commission for approval of PPA with KPCL in respect of Almatti Dam Power House. The Commission has approved the PPA of this project vide order dated 10.04.2003. KPCL has challenged the order of the Commission in the Hon'ble High Court vide MFA 4257 of 2003 and the case is pending before the Hon'ble High Court.

(v) PPA between KPTCL & VVNL for Yelahanka Diesel Plant.

The Order of the Commission dated 10.10.2003 on this PPA has been challenged by VVNL in the Hon'ble High Court of Karnataka vide MFA No.8370/2003 (KER) and the case is pending before the Hon'ble High Court.

3. ADVISORY COMMITTEE

3.1 Reconstitution of the Advisory Committee

Section 87 (2) of the Electricity Act 2003 stipulates that the State Advisory Committee shall consist of not more than twenty one members to represent interests of commerce, industry, transport, agriculture, labor, consumers, non-governmental organizations and academic and research bodies in the electricity sector. Further Section 87(3) states that the Chairperson of the State Commission shall be ex-officio Chairperson of the State Advisory Committee and the Members of the State Commission and the Secretary to State Government in charge of the Ministry or Department dealing with Consumer Affairs and Public Distribution System shall be the ex-officio Members of the Committee.

3.2 Members of the Advisory Committee

The Advisory Committee, which had been constituted earlier, was under the provisions of Section 34 of KER Act 1999 and the Committee had 18 members. In order to comply with Electricity Act 2003, the State Advisory Committee was reconstituted in consultation with the Government of Karnataka. The List of Members of the newly constituted Advisory Committee is furnished below:

Sl. No	Name and Address of Members	
1	Shri. K.P. Pandey, Chairman, KERC	Ex-Officio Chairperson
2	Shri H. S. Subramanya, Member, KERC	Ex-Officio Member
3	Shri. S. D. Ukkali, Member, KERC	Ex-Officio Member
4	Managing Director, KPTCL	Existing Member

5	Managing Director, KPCL	Existing Member
6	Shri Ravi Ganapathy, "Arushi", Pump House Road, Madikeri, Kodagu 571 201	Member
7	President, KEB Engineers Association, No. 28, Race Course Road, Ananda Rao Circle, Bangalore 560 01	Member
8	Shri M. G. Prabhakar, No. 79, 14th Cross, 20th Main, 2nd Phase, J.P. Nagar, Bangalore 560 078	Member
9	Shri K.N. Venkatagiri Rao, Consumer Forum, Brasam Buildings, Nehru Maidan, Sagar - 577 401	Member
10	Director, Confederation of Indian Industry, No. 1086, 12th Main, HAL II nd Stage, Indiranagar, Bangalore - 560 008	Member
11	The Managing Director, Bhoruka Power Corporation Ltd, No. 48, Lavelle Road, Bangalore - 560 001	Member
12	Shri Amaranath Patil, President Hyderabad Karnataka Chamber of Commerce, Chamber Building Complex, Super Market, Gulbarga - 585 101	Member
13	Shri Prakash Kashinath Rao Patil, Ghatiborala, Humnabad Taluk, Bidar District	Member
14	Shri Raghavendra Raju, S/o Shri Venkatanarayana Raju, No. 574, 8th Cross, 9th C Main, R.P.C. Layout, Vijayanagar, 2nd Stage, Bangalore.	Member
15	Secretary, Department of Food & Civil Supplies and Consumer Affairs, Government of Karnataka, M.S. building, Bangalore	Ex-officio Member
16	Managing Director, BESCO, K.R. Circle, Bangalore - 560 01	Member
17	Managing Director, GESCOM, Gulbarga Main Road, Gulbarga -585 102	Member
18	Shri M.N. Shankarikoppa, President, State Farmers Co-ordinatory Committee, Adur, At & PS Hangal, Haveri	Member
19	President, KPTCL Employees Union, 'A' Station Compound, Ananda Rao Circle, S.C. Road, Bangalore -560 009	Member
20	Shri A.S. Kulkarni, Secretary, Citizen's Forum, Ashoknagar Road, Near Savai Gandharva Hall, Hubli - 580 029	Member
21	Shri Govidappa, Former Technical Member, K.E.B., No. 603, 21 st Main, IV Block, Jayanagar, Bangalore -560 011	Member

3.3 Brief Account of the Meetings

As there was some delay in reconstitution of the Advisory Committee, only one meeting of the Advisory Committee could be held during FY05.

The Meeting of the Advisory Committee was held on 18th January 2005 (11th Advisory Committee meeting). After introduction of all the members of the newly constituted Committee. Sri. S.D. Ukkali, Member, KERC gave a presentation on the subject "Sustainable Electricity Supply to Rural Areas", which was well received. Various issues such as losses in distribution system of ESCOMs, assessment of IP set consumption, increasing trend of electrical accidents in ESCOMs were discussed in the meeting.

Minutes of the above Advisory Committee meeting is placed at **Annex 3.1**

4. GENERAL REVIEW OF THE POWER SECTOR

4.1 Status of Karnataka Power Sector

4.1.1 Installed Capacity: The installed capacity in the state and central share allocation to the state as on 31.03.2005 is as follows:

Installed capacity & Share of Karnataka				(MW)
	Hydro	Thermal	Others	Total
KPCL	3141	1598	-	4739
Private Generating Companies		588		588
Cogenerati on & others	136	152	35	323
State Total	3277	2338	35	5650
Central Projects share		1390		1390
Total	3277	3728	35	7040

Source: ERC FY06 filing of KPTCL, Daily Load data sheets & RLDC

4.1.2 Energy Availability:

Energy availability from the above stations in FY05 as per ERC filings is 33242 MU. It is noted that the energy input in FY05 has increased by 6.51 % over FY04 input of 31210 MU. The energy sales to ESCOMs at interface points as per pre ERC filings in FY05 are as follows:

BESCOM: 14670 MU

MESCOM: 6062 MU

HESCOM: 6265 MU

GESCOM: 4480 MU

Total: 31477 MU

4.1.3 **T&D loss:** For FY04, the Commission had approved a T & D loss figure of 28%. As per ERC filing for FY06 the T&D loss for FY04 works out to 30.9%. For FY05 the projected T&D loss is 29.80%. However the loss figure for FY05 is yet to be validated. The figures are likely to undergo change on validation.

4.1.4 **Forecast for FY06:** KPTCL has projected a total requirement of 35325 MU for FY06. The input to ESCOMs at the interface point is estimated as 33449 MU and to Hukkeri 159 MU.

Important Initiatives of GoK

4.1.5 Revised FRP

The Government of Karnataka vide its letter dated 28th August 2003, has issued a draft revised FRP. The highlights of this report were discussed in the previous Annual Report. However GoK is yet to finalize the revised FRP.

4.1.6 Medium Term Fiscal Plan (MTFP)

The Government of Karnataka, in the Year 2004, has issued a Medium Term Fiscal Plan for Karnataka for the period from 2004-05 to 2007-08. The MTFP is aimed at fiscal prudence, accountability, transparency in the management of State's finances with an objective to achieve the Millennium Development Goals (MDGs).

An extract of MTFP statement on the Power Sector is as under:

- "49. While the progress already made and the path to fiscal stabilization in the coming years is clear, certain risk factors should also be noted. The main concern is

the power sector. It can be seen that the projections build in a reduction in the power subsidy in the coming years, except in 2007-08, when past subsidy arrears will be paid off. But this will only be possible if power sector financial losses fall as they projected to. Otherwise, the off budget power sector deficit which ultimately reverts to the government, will cause mounting liabilities for the government. To ensure a reduction in power sector financial losses, it is necessary that power sector reforms, which have lagged in the past, be accelerated. In particular the following measures would be operationalised:

- The goal of the purchaser provider model is to ultimately achieve viability in the power sector and ensure quality at affordable rates to the consumers by putting in place procedural reforms in subsidy targeting and delivery. To this end, the Purchaser-Provider model will be implemented fully with ESCOMs entering into prescribed MoUs from 1st September 2004. Subsidy will be released only under the terms and conditions of the MoUs.
- Waiver of power dues or deferrals of tariff orders are inimical to the operational efficiency and commercial viability of the power utilities. The tariff approved by the KERC for all categories of consumers would be implemented. Arrears of power dues of Urban Local Bodies and Rural Local Bodies would be deducted at source by appropriation from the budgeted block assistance to these institutions every year. A mechanism for collection of current dues from these bodies will be put in place by their respective departments. Delay of more than a quarter in the remittance of current dues would trigger deduction at source for current dues as

well. Consequent to the above measures, ESCOMs and KPTCL would be expected to enhance collection efficiency to 95% from the current 85% by reducing Transmission and Distribution losses to 28% as per FRP and by strictly enforcing the Anti-theft Law.

- The "third party payment" problem has been acute in the power sector. In the past, the average daily cap of 80 MU has been breached, thereby affecting the commercial viability of KPTCL and transmitting yawning funding gaps to the budget. With near normal rainfall indicated for 2004-05, the average daily cap will be 82 MU for 2004-05. Monthly limits for balance period would have to be set accordingly. The 6-hour supply of quality three-phase power to agriculture will be implemented.
- The power sector reform policy which includes Financial Restructuring Plan (FRP), autonomy of operations to Discoms and privatization of power sector will be taken forward."

The Fiscal Performance of the power sector, as per the MTFP for period from 1999-00 to 2003-04 is as under:

(Rs. Crores)

Item	1999-00	2000-01	2001-02	2002-03	2003-04 (BE)	2004-05 (RE)
Power sector Budgetary Estimates	1808	1981	2525	2252	1654	1647
Power Sector Budgetary Support	771	868	2302	1842	2065	1765
Power sector subsidy Gap	1037	1112	223	410	-411	-118

Fiscal Performance of the power sector, as a % of GSDP

Item	1999-00	2000-01	2001-02	2002-03	2003-04 (BE)	2004-05 (RE)
Power sector Budgetary Estimates	1.90	1.89	2.31	1.90	1.27	1.26
Power Sector Budgetary Support	0.81	0.83	2.10	1.55	1.58	1.35

Medium Term Fiscal Plan of Power Sector

Item	1999-00	2000-01	2001-02	2002-03	2003-04 (RE)	2004-05 (BE)	2006-06 (proj)	2006-07 (proj)	2007-08 (proj)
Power sector Budgetary Estimates	1808	1981	2525	2252	1647	1856	1076	600	540
Power Sector Budgetary Support	771	868	2302	1842	1765	1400	1019	1454	2626
Power Sector Subsidy Gap	1037	1112	223	410	-118	456	57	-854	-2086

4.1.7 Government subsidy to power sector

An abstract of subsidy released by the Government to the power sector for the period from FY00 to FY05 is given below:

Year	O.B. Of subsidy due	Provision for subsidy in the approved FRP	Subsidy claimed for the year	Subsidy released by the Government	Balance at the end of the year
1999-00	255.98		1213.09	768.91	700.16
2000-01	700.16	709.00	1820.82	1246.42	1274.56
2001-02	1274.56	1787.70	2231.30	1872.00	1633.86
2002-03	1633.86	1796.50	1903.86	1699.00	1838.72
2003-04	1838.72	1537.50	1623.29	1555.46	1906.55
2004-05	1906.55	928.30	1872.99	935.00	2844.54

4.1.8 Establishing a new Distribution Company CESCO

The Government of Karnataka by its Notification dated 27th April 2005, formed a new distribution company viz., Chamundeshwari Electricity Supply Corporation Ltd (CESCO) with its headquarters located at Mysore. The jurisdiction of operation of the new company comprises areas covered under the districts of Mysore, Mandya, Hassan and Chamarajanagara, which were earlier covered under the jurisdiction of MESCOM. The Government has authorized to transfer the assets, liabilities, proceedings, posts and personnel specified in schedules from the Mangalore Electricity Supply Company (MESCOM) to the Chamundeshwari Electricity Supply Corporation Ltd (CESCO). Although the new company has already come into existence, since the transfer of assets, records etc are still under the process of being handed over, the ERC for FY06 has been submitted as a single entity by MESCOM.

5. ACTIVITIES OF THE OFFICE OF CONSUMER ADVOCACY OF KERC

5.1 Introduction

The Office of the Consumer Advocacy (OCA), which is functioning in the Commission for the past four years, has initiated several steps during the year under review. The OCA gave importance to public outreach meetings and consumer interactions, apart from taking forward the activities of the previous years. Besides, the OCA assisted the Commission in finalizing three important Regulations relating to consumers, framed under the Electricity Act, 2003

5.2 Regulations under the Electricity Act 2003

The Electricity Act 2003 came into effect from 10th June 2003. The OCA assisted the Commission in framing the following regulations under the Act:

1. KERC (Consumer Grievance Redressal Forum and Ombudsman) Regulations, 2004
2. KERC (Consumer Complaints Handling Procedure) Regulations, 2004
3. KERC (Licensees Standards of Performance) Regulations, 2004

The above Regulations were notified in the Karnataka Gazette dated 10th June 2004.

5.3 Supply of documents/information

The OCA has maintained a Directory of civil society organizations, which is being updated regularly. At present more than 200 names figure in the list. The OCA continues to send important documents, draft regulations, news clippings and other informative materials to

these organizations. During the year under review, the OCA sent all the draft regulations prepared under the Electricity Act 2003 to these organizations and sought their opinions, suggestions and comments. Copies of the three regulations mentioned above were dispatched to consumer groups after they were notified in the gazette.

The OCA receives requests from the public for supply of documents like the Regulations, rules, KER Act etc. Though the OCA is unable to cater to all the needs of all individuals, OCA is trying its best to keep the public informed. It is advising the public to visit the KERC website where all-important information is posted and kept updated.

5.4 Publications:

One of the major activities of the OCA is publication of consumer friendly literature on matters relating to power sector. The monthly newsletters 'Consumer Power' in English and 'Vidyut Balakedara' in Kannada continues to be popular and they are being sent to all organizations and individuals as per the mailing list. They are also given to visitors who visit the OCA/Commission.

5.5 Monthly Newsletter

The OCA is in the process of bringing another newsletter in English and subsequently in Kannada, which will carry news clippings about power sector culled out from various newspapers and magazines. It is hoped that this newsletter will help the consumers and others to access information at one place.

5.6 Leaflets and Consumer Guides

The OCA has been publishing leaflets and brochures in English and Kannada on various issues relating to power sector of special interest to consumers. So far five leaflets have been published. During the year the following leaflets were prepared.

- (i) An introduction to Office of Consumer Advocacy
- (ii) Consumer Guide to Electricity Bills
- (iii) Complaints Handling Procedures – A Guide to Consumers
- (iv) Guide to Electricity Consumer Grievance Redressal Forum & Ombudsman
- (v) Consumer Guide to Meter Reading

5.7 Electricity Consumers Information Kit

The OCA has prepared an Electricity Consumers Information Kit for the benefit of consumers, media persons, people's representatives and the general public. The Kit contains leaflets, brochures, articles, guides and fact sheets about power sector. It also has an introduction to power sector reform in Karnataka and the progress achieved so far. The leaflets and Kit will be available for public distribution during June 2005.

5.8 Training Module

The OCA has observed that civil society organizations are unable to participate in power sector reforms due to their inability to access information and absence of experts who can train consumers. Besides, civil society organizations are yet to recognize power sector reforms as one of their areas of work. Electricity regulation is a complex subject involving technical, commercial, economic and financial aspects. At present enough training materials are not

available on these topics. The OCA proposes to develop a training module on 'Consumer Participation in Power Sector Reforms'. The module is expected to be ready by August 2005.

5.9 Grievance Handling

Since its inception the OCA has been facilitating redressal of consumer complaints and grievances. Grievance handling is being dealt with by the Consultant (Consumer Advocacy) who is assisted by the Grievance Redressal Officer. At the end of March 2005 the OCA received 916 complaints out of which, 737 have been disposed of. Action is being taken in respect of the remaining 179 complaints.

A review of the complaints received reveal that the highest number of complaints pertains to delay in sanctioning power connection. The OCA has received 210 complaints, which is 23 per cent of total complaints received. This is followed by billing complaints (166 Nos. and 18 per cent)

5.10 Review of Standards of Performance

The Licensees are required to submit quarterly reports on compliance with the Standards of Performance issued by the Commission. The Standards of Performance relates to various customer services, which the Licensees are to provide within a specified time limit.

Though the OCA has been making efforts to get these reports in time, it has not met with success. However through regular follow up by way of letters, personal visits and phone calls, the OCA was able to get reports of all the four quarters of the year 2004 from three ESCOMS. One ESCOM submitted the reports in April 2005. As a result

the OCA could not complete the annual review of implementation of Standards of Performance.

The review is under progress and the report will be published soon.

5.11 Customer Outreach Meetings

The OCA has been conducting customer outreach meetings in various parts of the State. The objectives of these meetings are to highlight the activities of KERC and OCA, disseminate information about various consumer friendly regulations issued by KERC, interact with customers and hear their grievances and to build a rapport with the ESCOMS and customers.

The meetings held over the years have been very successful and are appreciated both by the public and the officials of ESCOMS. During the year under review, the OCA and other officers of KERC attended the Customer Meets at Gadag on 9th September 2004 and at Gonikoppa on 15th October 2004

5.12 Visits to ESCOMS

The OCA along with other officers of KERC is also visiting offices of ESCOMS to assess the implementation of various Regulations issued by the Commission, steps taken to improve quality of customer service, discuss pending customer complaints and to interact with the officials. During the year under review, OCA made the following visits.

GESCOM (Gulbarga) on 6th July 2004

HESCOM (Gadag) on 9th September 2004

MESCOM (Hassan) on 30th September 2004

MESCOM (Gonikoppa) on 15th October 2004

Presentation on the three regulations relating to consumer protection issued under the Electricity Act 2003 were also made in the above places for the benefit of customers and ESCOM officials.

5.13 Consumer Awareness Meetings

During the year the OCA took steps to create awareness among the public about the three regulations issued under the Electricity Act 2003, by the Commission. The OCA with the assistance of Electricity Consumers Network (ECON) conducted several workshops and awareness programs throughout Karnataka. The details are given below:

Hariharapura (Chickmagalur District) on 7th August 2004

Bangalore on 22nd August 2004

Udupi on 12th October 2004

Hospet (Bellary District) on 27th October 2004

Bidar on 11th December 2004

Kanakapura (Bangalore Rural District) on 29th December 2004

Sirsi (Karwar District) on 1st January 2005

Ranebennur (Haveri District) on 6th January 2005

Rattehalli (Haveri District) on 6th January 2005

Davanagere on 3rd February 2005

Sedam (Gulbarga District) on 5th February 2005

Honnali (Davanagere District) on 11th February 2005

Holalkere (Chitradurga District) on 12th February 2005

Shiralakoppa (Shimoga District) on 12th February 2005

Channagiri (Davanagere District) on 12th February 2005

Shiggaon (Haveri District) on 13th February 2005

Doddaballapur (Bangalore Rural District) on 15th March 2005

Raichur (Raichur District) on 31st March 2005

5.14 Presentation on Electricity Act 2003 & Consumers

The Consultant (Consumer Advocacy) made a presentation on Electricity Act 2003 and Consumer Rights at the Federation of Karnataka Chamber of Commerce and Industry, Bangalore, on 9th August 2004.

Another presentation on the same topic along with the activities of OCA was made for the benefit of the officials of Karnataka Power Corporation Limited, Bangalore, on 24th January 2005.

5.15 Petition before the Commission

The OCA made an oral submission before the Commission in the matter of grant of license to Jindal Thermal Power Company Limited (JTCL), which had filed an application before the Commission for limited area supply license.

6. ADMINISTRATION

The Commission is functioning from the office located at #9/2, 6th and 7th floors, Mahalaxmi Chambers, M.G.Road, BANGALORE – 01 since 1/11/2000.

1. STAFF RECRUITMENT:

The Commission engages the staff on deputation or contract basis. The total staff strength of the Commission as on date is 28. At present 11 posts are filled on contract and others on deputation basis from Government Departments/ Government undertakings/ Corporations/ Boards etc. Details of the staff are as follows:

Sl.No.	Name	Designation
01	I.R. Perumal, IAS	Secretary
02	M.Nagaraj	Director (Technical)
03	G.S.Shashidhar	Director (Tariff)
04	Safiullakhan	Sr. Financial Analyst
05	B.Ramesh	Sr. Economic Analyst
06	R.Rangaswamy	Dy. Director (Demand Forecast)
07	P.R.Divakar Naik	Dy. Director (Distribution)
08	N.Parthasarathy	Dy. Director (Generation)
09	B.K.Kanvi	Dy. Director (Legal)
10	S.Chandrashekar	Asst. Secretary
11	H.S.Sheshadri	TA to Chairman
12	K.S.Nagaraj	Accounts Officer
13	N.M.Krishnakumar	Asst. Accounts Officer
14	S.N.Atmaramagowa	Asst. Accounts Officer
15	K.Sreepada Rao	Office Manager
16	M.L.Shankaralingappa	Kannada Translator
17	S.Krishnamurthy	PS to Chairman
18	P.R.Gopinath	PA to Chairman
19	M.Ramu	PS to Member (Tech.)
20	G.R.Krishnamurthy	PS to Member I
21	Smt.Shobha Shivakumar	PA to Secretary
22	R.Sheshadri	Stenographer
23	K.M.C.Mallikarjuna	Assistant
24	J.P. Ramesh	Assistant
25	B.S.Rathnakumar	Data Entry Operator

CONSULTANTS:

Sl.No.	Name	Designation
01	P.N.Lakshmana Reddy	Consultant (Technical)
02	K.Suresh	Consultant (Technical)
03	Y.G.Muralidharan	Consultant (Consumer Advocacy)

Following employees were on deputation/contract basis and left the services due to repatriation or completion of the tenure of employment/contract during FY05:

Sl. No.	Name /Designation	Date of relief	Reasons for leaving
01	B.N.Patil/PA to Chairman	16/11/2004	Repatriation
02	M.R.Prahlad/Sr.Assistant	21/03/2005	Repatriation
03	L.R.Srinivasan/Assistant	31/03/2005	Completion of term of appointment

2. DEPUTATION TO CONFERENCES/TRAINING:

The Commission, to keep the staff posted with the latest developments in the power sector, deposes the officers to various conferences and training programme conducted by reputed agencies. Details of the training/conference/seminar programmes attended by Members/ officers during FY05 are given below:

PARTICULARS OF COMMISSION MEMBERS AND OFFICIALS DEPUTED FOR TRAINING AND SEMINAR:

Sl. No	Name	Designation	Period	Venue	Particulars of the Training / Conference
01	Shri. R.Rangaswamy Shri. K. Suresh	Dy. Director (DF) Consultant (Tech.)	20/04/2004 to 21/04/2004	India Habitat Centre, Lodhi Road, New Delhi.	HVDS Planning and Loss Diagnostics conducted by M/s. KLG Systel Limited, Gurgaon.
02	Shri. Safiullakhan	Senior Financial Analyst	01/06/2004 to 05/06/2005	ESCI Campus, Gachibowli, Hyderabad	Commercial Accounting in Post Reforms Scenario

					conducted by Engineering Staff College of India, Hyderabad.
03	Shri.S.D.Ukkali	Member	24/07/2004	Hotel Maurya Sheraton, New Delhi	Electricity Act 2003 : The Year After – Progress made & Challenges ahead conducted by Confederation of Indian Industry, Gurgaon (Harayana)
04	Shri.S.D.Ukkali	Member	18/08/2004 to 20/08/2004	Hotel Taj Residency, Bangalore	Power Distribution seminar conducted by TERI, New Delhi
05	Shri.N.Lakshmana Reddy, Shri.N.Partha-Sarathy, Shri. K.Suresh	Consultant (Tech.) Dy.Director (Gen.) Consultant (Tech.)	01/09/2004 to 04/09/2004	ESCI Campus, Gachibowli, Hyderabad	Power System Operation, Control & Load Despatch Techniques conducted by Engineering Staff College of India, Hyderabad
06	Shri S.D. Ukkali	Member/ KERC	03/09/2004 to 08/09/2004	South Africa	Implementing Pre-paid metering technology system in India
07	Shri G.S.Shashidhar Shri.M.Nagaraj Shri.H.S.Sheshadri	Director (Tariff) Director (Tech.) Technical Assistant to Chairman	22/09/2004 to 23/09/2004	The Oberoi New Delhi	Third Annual Conference on IT in Power conducted by Powerline, New Delhi.
08	Shri.S.D.Ukkali,	Member	29/09/2004 to 30/09/2004	ACCII, New Delhi	Empowering India for Global Competitive Positioning and Mainstreaming the Renewable conducted by Associated Chamber of Commerce & Industry of India, New Delhi
09	N.M.Krishnakumar	Asst. Accounts Officer	16/09/2004	Windsor Manor, Bangalore	TDS Workshop conducted by Karnataka State Chartered Accountants' Assn.

10	Shri. R.Rangaswamy	Dy. Director (Demand Forecast)	16/09/2004 to 17/09/2004	Grand Hyatt, Singapore	Public Private Partnership in Asia Infrastructure Development – 2004 conducted by IBC Asia (S) Pvt.Ltd., Grange Road, Orchard Building, Singapore
11	Shri. Safiullakhan Shri.P.R.Divakar- Naik	Sr. Financial Analyst Dy. Director (Distn.)	11/10/2004 to 15/10/2004	CIRE Campus, Shivarampally, Hyderabad	Metering & Billing – Trends and developments in Power Sector conducted by Central Institute of Rural Electrification, Hyderabad
12	Shri. R.Rangaswamy	Dy. Director (Demand Forecast)	12/10/2004 to 13/10/2004	The Imperial, New Delhi	Creating 100000 Sustainable Electricity Utilities – Empowering Panchayat Raj Institutions conducted by Independent Power Producers' Association of India, New Delhi.
13	Shri. R.Rangaswamy Shri. H.S.Sheshadri	Dy. Director (DF) Tech. Assistant to Chairman	30/11/2004 to 03/12/2004	SJ Auditorium, CPRI, Bangalore	International Electricity Metering Protocol (IEC 62056) conducted by CPRI, Bangalore
14	Shri. P.R.Divakar Naik	Dy. Director (Distn.)	10/12/2004 to 11/01/2005	Hotel Taj, Mumbai	India Doble Colloquium 2005 conducted by EL PE Engineers, Vadodara
15	Shri. H.S.Sheshadri,	Tech. Assistant to Chairman	24/01/2005	CPRI, Bangalore	Real time Simulation of Power Systems conducted by CPRI, Bangalore
16	Shri. Safiullakhan Shri. H.S.Sheshadri	Sr. Financial Analyst Tech. Assistant to Chairman	17/01/2005 to 18/01/2005	Hotel Taj Palace, New Delhi	International Conference on Open Access and Transmission Pricing in Restricted Electricity Market conducted by Power Grid Corporation of India Limited, Gurgaon.

PARTICULARS OF COMPUTER TRAINING:

SI.No	Name	Designation	Period	Venue	Particulars of the Training / Conference
.	Shri.G.R.Krishna murthy Shri.J.P.Ramesh	Personal Secretary Assistant	Total 60 hours on the basis of 2 hours per day	APTECH Computers Education, #21/1, AM Plaza, Plain Street, Behind Hotel Harsha, Shivajinagar, B'lore 001	Basics of Computers including basic hardware and connection to CPU – MS Office etc.

TALLY GRADUATE COURSE:

SI.No.	Name	Designation	Period	Venue	Particulars of the Training / Conference
01	K.S.Nagaraj S.N.Atmaramagowda	Accounts Officer Asst.Accounts Officer	Total 40 hours training programme – one hours per day basis	Academy for Corporate Excellence (ACE), 3 rd Block, Jayanagar, and 1 st Main, Ganghinagar, Bangalore – 009	TALLY GRADUATE COURSE

7. FINANCE AND ACCOUNTS

7.1 Grants Received from the Government during FY05:

State Government has provided a grant of Rs. 320.50 lakhs in the Budget for the Financial Year 2004-05. However, out of Rs. 320.50 lakhs, the Commission has drawn Rs. 195.70 lakhs only from the Government. The Commission had an unspent balance of Rs. 70.32 lakhs at the commencement of the financial year 2004-05. Thus the amount available for the Commission during the FY 2004-05 was Rs. 266.02 lakhs. Since the Commission did not proceed with the 2nd phase of internal partition work, purchase of additional computers etc., and due to non-filling up of vacancies, the Commission has surrendered a sum of Rs. 124.80 lakhs in December 2004.

The following Table shows the comparison of budget estimate and actual expenses for FY05

Major expenditure head	Budget estimate	Expenditure for FY 05	Variation
Establishment expenses	125.35	88.25	37.10
Office expenses	152.75	103.65	49.10
Office set up expenses	42.40	1.96	40.44
Total	320.50	193.86	126.64

The expenditure for FY 05 was Rs. 193.86 lakhs, which was met out of opening balance of Rs. 70.32 lakhs, Government grant of Rs. 195.70 lakh. The closing balance at the end of FY 05 was Rs. 74.20 lakhs in the permanent imprest account.

During FY 05 a sum of Rs. 68.13 lakh has been received towards Licensing Fee, Processing Fee and Miscellaneous Receipts of which Rs 66.19 lakhs (including the previous year amount of Rs. 0.35 lakh) has been credited to Government during FY 05 and a sum of Rs. 2.28 lakh was remitted to Government during June 2005.

CASH FLOW STATEMENT FOR THE FY05

OPENING BALANCE:-		
(A) Cash/Bank/Personal Deposit A/c.	69.68	
(B) Current liabilities	0.64	70.32
Add:- Receipts		
Grant from Government	195.70	
Licence Fee, Processing Fee etc	68.13	
Refund of Advance Rent	0.03	
Misc. Deposits	0.12	
	263.98	263.98
TOTAL RECEIPTS		334.30
LESS EXPENDITURE		
(A) Salaries and Office expenses	191.84	
(B) Licence Fee, etc remitted to Govt	66.19	
(G) Fixed Assets	1.96	
(H) Payment of Advances/loan	0.11	
TOTAL EXPENDITURE	260.10	260.10
CLOSING BALANCE		
(A) Cash/Bank/Personal Deposit A/c.	71.14	
(B) Current liabilities	3.06	
TOTAL	74.20	74.20

8. FORWARD WORK PROGRAMME FOR FY06

The proposed action plan of the Commission for FY06 is as follows:

8.1 ERC of KPTCL/ESCOM/Hukkeri Society and Tariff Order

As discussed earlier, ERC filing of KPTCL for FY05/FY06 and tariff filing has been cleared for publication by the Commission and the same have been published in the newspapers on 30th April 2005 and 1st May 2005, calling for objections within 30 days. The last date for receiving objections was 10th June 2005.

The ESCOMs have filed their ERCs for FY06 and Tariff filing on 31.05.2005. Considering the filings as petitions, the Commission has cleared the same on 01.06.2005 for publication of summary of applications by the ESCOMs in the newspapers inviting objections from the public as required under KERC (Tariff) Regulations. The same have been published by the ESCOMs in the second week of June 05. The Commission will pass Tariff Orders on the above filings duly following the procedures including on the ERC of Hukeri Society.

8.2 Determination of Trading Margin

As per the Electricity Act 2003, the Commission has notified KERC (Eligibility conditions and Duties of Electricity Trader) Regulation 2004. Further as per the Electricity Act, 2003, the Commission has to determine the trading margin for electricity traders. The Commission has not so far received any application for Trading license. As and when such applications are received and the Commission issues

trading licenses, the Commission would fix the trading margin for the electricity traders.

8.3 Regulations, Codes and Standards

Under the Electricity Act, 2003 the Commission is required to frame and notify a few more regulations and bring out various codes.

The Commission has issued draft KERC (Security Deposit) Regulations 2004 inviting comments/views from the stakeholders/experts/ public. This will be finalized soon after disposal of the Appeal pending in the Hon'ble High Court on the order passed by the Commission earlier.

The Grid Code, Distribution Code and the Standards of Transmission System and Distribution system are also being updated and revised to be in line with the Electricity Act, 2003 and the revised version is expected to be brought out shortly.

8.4 Load Forecast

The Commission has returned the long term Load forecast furnished by KPTCL with an observation to link the forecast with the business plan of the utilities with due firm commitment from the GoK. This has to be followed up. As and when the revised forecast is furnished, the Commission would take appropriate action in the matter.

8.5 Study on IP sets' consumption:

The Commission has invited tenders for conducting "Study on computation of IP sets consumption based on DTC metered sampling points" by selecting one DTC sampling point in each of the 175 Taluks in the state of Karnataka. The duration of study will be for

a period of 12 months and the scope of the study also covers validating the monthly data being furnished by the ESCOMs. The tenders are under process of evaluation. This will be finalized soon.

8.6 Appointment of Ombudsman

Section 42(6) of the Electricity Act, 2003 empowers the Commission to appoint/designate an Ombudsman. Consumers who are aggrieved by the non-redressal of their grievances by the Grievance Redressal Forums set up by the licensees may make representation for redressal of their grievances to the ombudsman. The Commission has already issued the Regulations in this regard. The Commission has also called for applications by issuing notification in the newspapers for appointing the ombudsman. The Commission has appointed Sri B.T. Ganeswar as Ombudsman who has reported for duty on 10.6.05.

8.7 Standardizing Power Purchase Agreement Formats in respect of purchase of power from various categories of NCE projects

In KERC Order dated 18.01.2005 the Commission has determined tariff in respect of various categories of NCE projects. In the said Order the Commission has also directed KPTCL to file draft standard PPAs in respect of the NCE projects considering various suggestions made by the IWPA during the public hearing on NCE tariffs. KPTCL have filed the draft Standard PPAs. The Commission proposes to finalize the standard PPAs after considering the views of all the stakeholders and experts. A public hearing in this regard has been fixed on 4th July 2005.

8.8 Introduction of Intra-State ABT

The aim for the introduction of Availability Based Tariff (ABT) is to bring in grid discipline by bringing in responsibility and accountability in power generation and consumption. In respect of Inter-State power transactions, ABT regime has already been in vogue. The principle adopted in the Inter-state ABT is to provide incentives to those who adhere to the grid discipline and to impose penalties or disincentives to those who do not adhere to the grid disciplines. The same principles are proposed to be adopted for the implementation of the Intra-state ABT also. The Commission is in the process of preparing discussion paper, which is proposed to be circulated among all the stakeholders, experts and public in order to elicit their views, before introducing the ABT in the intra-state power transactions.

9. Btμ²SRu^a Nw^YI

2004-05 ŠR iŕÇRÁu^a Xh±iNμS_i iŕ±œ⁻y^{1/2}Šŕîμ^o cŠR±TqR±. iu±ãXŕĐOÙ AvĂx±ŕiŕ±, 2003- b⁻çSμ ...^ou^o w^oqRŠR Cm^o Š⁻ÇRóu^a iu±ãq⁻ iŕC±ŕiŕw[±]Y wμ²Iŕiŕ u³™Ô±μ^o ...uŕœ⁻Tuŕ±Ū, Nw⁻ÁhNŕ iu±ãXŕĐOÙ šŕ±uÁ⁻Šŕn⁻ AvĂx±ŕiŕ±, 1999 Š^oqμ ŠRYšŕœ⁻TuŕŪ Awμ^oNŕ iŕx±ŕiŕ±, šŕ^oYqμ, Sŕ±oiŕ±hÔS_iw[±]Y œμ²šŕ AvĂx±ŕiŕ±uŕ b⁻ç± w^oqRŠR Aiŕ^{1/4}S_i NŕŠŕIŕ±S_iw[±]Y œμ²šŕu⁻T >uŕÛyŕm>, Aiŕ^{1/4}S_iw[±]Y A^oriŕ±Sμ²ç>, yŕän⁻ýŕw[±]Sμ²ç>, îμ^o šμŕiŕw^a yŕänŕiŕšŕœ⁻Tuμ. Aiŕ^{1/4}S_i yŕärS_iw[±]Y iŕ^{3/4}Š⁻hNŕ^É Clŕœ⁻Tuμ. œμ²šŕu⁻T ŠRY>uŕ iŕx±ŕiŕ±S_iw[±]Y Nw^YIŕNμÉ qŕc±Áîμ±iŕ^{3/4}Iŕœ⁻Tuμ; q^oränŕ N⁻ŠŕoSŕç^ouŕ îμ^o šμŕiŕw^a Ajŕiŕmšŕ©± iŕ^o...î⁻Tuμ.

D BtÁNŕ iŕÇRÁu^a, Btμ²SRu^awŕ Y⁻ç± AvĂN⁻çŕçSμ Nw^YIŕ wŕ±m±ŕ± qŕ^oq⁻ä^oyŕuŕ ...SμSμ iŕ^{3/4}Yŕ x^om, Nw^YIŕuŕ^a „μŠŕiŕXŕ±i iŕ^{3/4}Iŕ±iŕ^{1/4}uŕw[±]Y rçœμ^oç, qŕŠŕ^oμ^or x^oIŕœ⁻%±qŕ±. Cuŕ^ouŕ š⁻iŕÁcxNŕçSμ Nw^YIŕuŕ^a EqŕÛ> yŕqŕä ...Šμ±ŕ±ç± šŕœ⁻±ŕ±Nŕî⁻Tuμ.

î⁻™ÁNŕ iŕŠŕv šμ^oçuŕ^oqμ uμŕixNŕî⁻uŕ Awμ^oNŕ iŕãiŕœŕŠŕnμS_iw[±]Y Nw^YIŕNμÉ „Á⁻ç^oqŕŠŕSμ²çšŕœ⁻%±qŕ±.

**Annex-2.1
Status of NCE Projects PPAs**

I) Biomass Power Project

Sl. No.	Name of the Developer	Capacity in MW	Location of the project	Remarks
1	Dev Power Gen. Pvt. Ltd.	10.00	Nanjangud	PPA Approved
2	Bhagyanagar Solvent Extractions Private Limited	11.00	Heggasanahalli, Deosugur Hobli, Raichur Tq. & Dist.	PPA Yet to be approved
	Total	21.00		

II) Co-generation Power Projects

Sl. No.	Name of the Company	Capacity in MW	Location of the project	Remarks
1	Bannari Amman Sugars Limited	20	Alganchi Village, Nanjangud Taluk, Mysore Dist.	PPA Approved
2	Naranja Sahakari Sakkare Karkhane Niyamit	7.5	Imampur Village, Bidar Taluk & Dist.	PPA Approved
3	Venkateshwara Power project	15	Bedkihal Village, Chickodi Taluk, Belgaum Dist.	PPA Approved
4	The Mysore Sugar Company	30	Sugar Town, Mandya Dist.	PPA Approved

5	Gokak Sugars Limited	14	Kolavi Village Gokak Taluk, Belgaum Dist.	PPA Approved
6	SPR Sugars Private Ltd.,	11.5	Kanchugaranahalli Village Ramanagaram Tq. B'lore dist.	PPA Approved
7	Octaga Green Power & Sugar Company Ltd.,	15	Mettivadi Village, Chickodi Tq. Belgaud Dist.	PPA Approved
8	The Nandi Sahakari Sakkare Karkhane Niyamit	18.14	Krishnanagar, Hosur Post, Bijapur Taluk.	PPA Approved
9	Chincholi Sugar Mills Limited	17.00	Chincholi, Gulbarga Dist.	PPA Yet to be approved
	Total	148.14		

III) Mini-hydel Power Project:

Sl. No.	Name of the Company	Capacity in MW	Location of the project	Remarks
1	Paschim Hydro Energy Pvt. Ltd.	9	Maranhalli Village	PPA approved
2	Bonal Hydro Electric Company	1.25	Surapura Taluk, Gulbarga Dist.	PPA approved
3	Atria Power Limited	10	Shivanasamudra Malavalli Taluk, Mandya Dist.	PPA approved
4	Ambuthirtha Power Private Limited.	20	MGHE Tail race at Jog, Shimoga Dist.	PPA approved
5	Bobba Power Project	15	Mannapitlu Village, Mangalore Taluk.	PPA approved
6	Pusala Power Projects Resubmitted by KPTCL	6	Vijayanagar Anicut, Siruguppa Taluk.	PPA approved
7	Atria Brindavan Power Limited	12	Kannambadi Village, Srirangapatna Taluk.	PPA approved
8	Mount Kailash Power Projects Pvt. Ltd.,	10.5	Near Mullibettu Vilalage, Mangalore Tq. D.K. Dist.	PPA approved
9	Bhoruka Power Corporation Limited	9	Nidle Village, Belthangdi Tq., D.K. Dist.	PPA approved
10	Vakkal Power Corpn., Ltd.,	1.0	Shivanasamudram, Malavalli Tq. Mandya Dist.	PPA approved
11	Dipkit Electrics Pvt. Limited	3.5	Aldur Village Chikmagalore Dist.	PPA approved

12	Tungabhadra Steel Products Limited	2	Malaprabha Right Bank Canal, Saundatti Town, Belgaum Dist.	PPA approved
13	Bhoruka Power Corpn., Limited	24	Krishna River, Near Chayadevi Falls, Narayana pura Village, Shorapur Taluk.	PPA approved
14	Trishul Power Private Limited	4	Hemagiri Anicut, Near Bandihole Village, K.R. Pet, Mandya Dist.	PPA approved
15	M/s. NCL Energy Ltd.	1.4	Rayabasavanna Canal of Tungabhadra Dam, Hospet Taluk, Bellary Dist.	PPA yet to be approved
16	M/s. Rephidium Power Supplies Pvt. Ltd.,	3	At Kuthupuzha, near Abbe falls, Mercara Taluk, Kodagu Dist.	PPA yet to be approved
17	M/s. Limbavali Power Private Ltd.,	12	At across Hullahalla, near Dhanaguru Village, Malavalli Taluk, Mandya Dist.	PPA yet to be approved
18	M/s. SRM Power Private Ltd.,	6	At Somavathi Hole near Samshe Village in Mudigere Taluk, Chikmagalur Dist.	PPA yet to be approved
	Total	149.65		

IV) Wind Mill Power Project

Sl. No.	Name of the Company	Capacity in MW	Location of the project	Remarks
1	MSPL Limited	3.8	Guddadarang Avanahalli, Chitradurga Dist.	PPA Approved
2	MSPL Limited	5.3	Guddadarangavanahalli , Chitradurga Dist.	PPA Approved
3	MSPL Limited	3.75	Gonur & Mallapura Villages, Chitradurga Dist.	PPA Approved
4	MSPL Limited	3.8	Guddadarangavanahalli , Chitradurga Dist.	PPA Approved
5	MSPL Limited	2.85	Chikkappanahalli Village, Chitradurga Dist.	PPA Approved
6	MSPL Limited	1.9	Chikkappanahalli Village, Chitradurga Dist.	PPA Approved
7	MSPL Limited	6.25	Jogimatti, Chitradurga Dist.	PPA Approved

8	Ramgad Minerals & Mining Pvt. Ltd.,	0.75	Gonur Village, Chitradurga Dist.	PPA Approved
9	Eswari Garments	1.5	Guddadarangavanahalli	PPA Approved
10	Eswari Knitting Works	3.0	Guddadarangavanahalli	PPA Approved
11	Eswari Textile	3.0	Guddadarangavanahalli	PPA Approved
12	Victus Associate	1.5	Guddadarangavanahalli	PPA Approved
13	Kariganur Iron & Steel Pvt. Ltd.,	0.75	Kanchiganahal Village	PPA Approved
14	Prabhat Agri Biotech Ltd.,	0.75	Guddadarangavanahalli	PPA Approved
15	Cepco Industries Pvt. Ltd.,	1.2	Elladakere Village	PPA Approved
16	KREDL	2.0	Mavinahunda, Raibag Taluk, Belgaum Dist.	PPA Approved
17	KREDL	2.0	Sogi, Huvinahadagali Bellary Dist.	PPA Approved
18	Suresh Productions Pvt., Ltd.	0.75	Mallapura/ Chitradurga Dist.	PPA Approved
19	Shanmuga Compacts	0.75	Mallapura/ Chitradurga Dist.	PPA Approved
20	Sanghvi Movers Ltd.	0.75	Guddadarangavanahalli , Chitrdurga Dst.	PPA Approved
21	Deffree Engineering P Ltd.,	0.6 MW	Elladakere Village, Hiriyyur Taluk.	PPA Approved
22	Siddaganga Oil Extractions Limited	1.2 MW	Elladakere Village, Hiriyyur Taluk.	PPA Approved
23	Maris Power Supply Company Limited.	0.75	Kanchiganahal and Madakaripura Villages	PPA Approved
24	Maris Power Supply Company Limited.	4.5	Gonur Village, Chitradurga Dist.	PPA Approved
25	B.S. Channabasappa & Sons.	0.6	Elladakere, Hiriyyur Taluk.	PPA Approved
26	B.S.C. Textiles	0.6	Elladakere, Hiriyyur Taluk.	PPA Approved
27	M/s. Gangadhar Narasingdas Agrawal	2.5	Ingaladalu Village, Chitradurga Dist.	PPA yet to be approved
28	Ferromar Shipping Pvt. Ltd.	1.25	Ingaladalu Village, Chitradurga Dist.	PPA yet to be approved
29	Rajesh Construction Company	2.5	Ingaladalu Village, Chitradurga Dist.	PPA yet to be approved
30	Mantri Developers Pvt. Ltd.,	3.75	Chitradurga Village, Chitradurga Dist.	PPA yet to be approved
31	Mysore Mercantile Co. Ltd.	4.8	Borenahalli and Mathighatta	PPA yet to be approved
32	World Institute of Sustainable Energy	1.2	Ittegehalli Village, Chitradurga Dist.	PPA yet to be approved
33	Mineral Enterprises	3.0	Ittegehalli Village,	PPA yet to be

	Limited		Chitradurga Dist.	approved
34	Navalakha Translines	1.25	Chitradurga Village, Chitradurga Dist.	PPA yet to be approved
35	Amitronics	1.25	Jogimatti, Chitradurga Dist.	PPA yet to be approved
36	Kariganur Iron & Steel Pvt. Ltd.,	2.5	Chitradurga Village, Chitradurga	PPA yet to be approved
37	Ramgad Minerals & Mining Pvt. Ltd.,	17.5	Jagikalgudda, Davanagere Dist.	PPA yet to be approved
38	Ramgad Minerals & Mining Pvt. Ltd.,	7.5	Jagikalgudda, Davanagere Dist.	PPA yet to be approved
39	MSPL Ltd.	1.25	Chitradurga Village, Chitradurga	PPA yet to be approved
40	MSPL Ltd.	3.75	Chitradurga Village, Chitradurga	PPA yet to be approved
41	MSPL Ltd.	13.75	Sogi, Bellary Dist.	PPA yet to be approved
42	MSPL Ltd.	11.25	Sogi, Bellary Dist.	PPA yet to be approved
43	Patel Shanthi Steel Pvt. Ltd.,	0.6	Ittegehalli, Chitradurga Dist.	PPA yet to be approved
44	Patel Shanthi Steel Pvt. Ltd.,	0.6	Elladakere, Chitradurga Dist.	PPA yet to be approved
45	Unnathi Projects Ltd.,	1.8	Ittegehalli, Chitradurga Dist.	PPA yet to be approved
46	Unnathi Projects Ltd.,	0.6	Elladakere, Chitradurga Dist.	PPA yet to be approved
47	Enercon Windfarms (Karnataka) Limited	3.2	Chikkavadatti, Gadag Dist.	PPA yet to be approved
48	Meghana Automotives Pvt. Ltd.,	0.6	Elledakere, Chitradurga Dist.	PPA yet to be approved
49	Sanjana Power	0.6	Katheholle, Chitradurga Dist.	PPA yet to be approved
50	S.E. Investments Ltd.,	2.4	Ittegehalli, Chitradurga Dist.	PPA yet to be approved
51	Swaraj PVC Pipes Pvt. Ltd.	0.6	Katheholle, Chitradurga Dist.	PPA yet to be approved
52	Shilpa Medicare Ltd.,	1.2	Ittegehalli, Chitradurga Dist.	PPA yet to be approved
53	International Conveyors Ltd.	0.6	Katheholle, Chitradurga Dist.	PPA yet to be approved
54	Enercon Wind farms (Krishna) Ltd.	15	Kadacol, Gadag Dist.	PPA yet to be approved
55	Gemcrafts	0.6	Ittegehalli, Chitradurga Dist.	PPA yet to be approved
56	Laxmi Organic Industries Ltd.	1.2	Ittegehalli, Chitradurga Dist.	PPA yet to be approved

57	Amrit Bottlers Pvt. Ltd.	1.2	Ittegehalli, Chitradurga Dist.	PPA yet to be approved
58	Brindavan Agro Industries Ltd.	1.2	Ittegehalli, Chitradurga Dist.	PPA yet to be approved
59	M.K. Agrotech Pvt., Ltd.	1.2	Katheholle, Chitradurga Dist.	PPA yet to be approved
60	Jitendra D. Majethia	0.6	Haladyamenahali, Chitradurga Dist.	PPA yet to be approved
61	Cooper Foundry Pvt. Ltd.,	2.4	Ittegehalli, Chitradurga Dist.	PPA yet to be approved
62	P. Mohan Lal	0.6	Elladakere, Chitradurga Dist.	PPA yet to be approved
63	Primetex Apparels India Pvt. Ltd.	0.6	Elladakere, Chitradurga Dist.	PPA yet to be approved
64	P. Vijaya kumar		Elladakere, Chitradurga Dist.	PPA yet to be approved
65	Shri Mahadeo Soap Industries (P) Ltd.	6.0	Ittegehalli, Chitradurga Dist.	PPA yet to be approved
66	Bellary Iron Ores Pvt. Ltd.	2.5	Bettadanagenahalli, Chitradurga Dist.	PPA yet to be approved
67	Bhoruka Power Corporation Ltd.	2.0	Bettadanagenahalli, Chitradurga Dist.	PPA yet to be approved
68	Arc Power Generation Ltd.	4.5	Ganjikatte, Chitradurga Dist.	PPA yet to be approved
69	Abletech Electro Engineers (P) Ltd.	1.6	Borenahalli, Chitradurga Dist.	PPA yet to be approved
70	Peenya Power Company	0.5	Bettanagenahalli, Chitradurga Dist.	PPA yet to be approved
	Total	188.76		

Annex 2.2

D/01/03/142

1st February 2005

Executive Secretary,
FORUM OF INDIAN REGULATORS,
Secretariat: Core-3, 7th Floor,
SCOPE Complex,
Lodhi Road,
New Delhi-110 003.

Sir,

Sub: Methodology for computation of Surcharge and Additional Surcharge on Open Access.

Ref: Your Letter No. FOIR/2004 dated 21.12.2004.

The Commission has examined the report of the Group constituted by FOIR in the matter of determination of cross subsidy surcharge for the purpose of Open Access. The Comments of KERC on the above subject are as follows:

The KERC recommends that the surcharge should be based on Cost of supply methodology, which is a straightforward approach. This is also as per section 61(g) of the Electricity Act 2003. The Avoided Cost method recommended by the Group may not be feasible since eventually such costs may not be avoidable by the utilities in a shortage situation. In the Regulations issued by KERC on the Terms and Condition of Open Access, the surcharges shall be determined based on Cost of Supply of electricity to various categories of consumers.

It is stated in minutes of the FOIR meeting held on 17th and 18th December 2004 that the Cost of Supply (Embedded Cost) method may result in high level of surcharge and would not encourage open access. In this regard it is to be stated that the State Commissions should specify a definite time frame for reduction of cross subsidies by addressing the same in the tariff orders to be issued by the Commissions. KERC also feels that the State Governments have to be involved in the matter as it concerns fixing tariff mainly to the cross-subsidized category of consumers such as Irrigation Pump-sets, power supply to weaker sections of the society etc., since any

reduction in cross-subsidy will either require the tariff of cross-subsidized category to be increased or increase in the subsidy burden on the GoK.

Thanking you,

Yours faithfully
For Karnataka Electricity Regulatory Commission

Sd/-
Secretary

Annex- 2.3**PROCEEDINGS OF THE MEETING HELD ON 4TH JANUARY 2005 AT KERC
ON THE REVISED LONG TERM LOAD FORECAST REPORT FURNISHED BY
KPTCL**

List of participants enclosed.

The meeting was chaired by Sri H.S.Subramanya Member KERC, who welcomed all the participants and requested KPTCL to make a presentation on their Revised Forecast Report and others to present their views there after.

Sri Balaram AEE KPTCL made a presentation highlighting the compliance to the observations made by the Commission's staff and other participants during the meeting held on 28th April 2004. The issues covered included methodology, losses, DSM etc. Copy of the presentation made by KPTCL is enclosed at Annexure-1.

The views expressed by the participants are as under:

1. Sri. B.G.Rudrappa expressed the following views:
 - a) Load Forecast is an important document and the capital investment programme would depend on this. Acceptance of the report by TAC and the Board of KPTCL would be important before seeking approval of KERC. It appears that before submission of the Load Forecast report, necessary clearance from the TAC/Board has not been obtained.
 - b) Referring to the earlier comments of the Principal Secretary Energy Department, GoK, he stated that it is safe to err on the positive side and that shortage of

electricity is detrimental to economic growth and surplus capacity could be sold under trading. He further observed that the projections made in the revised report, refers to the requirement of energy and peak demand of the state and the ability to find funds to meet this requirement is a separate issue which may not be mixed up with the load forecast report. FRP has no relevance as far as load forecast exercise is concerned.

- c) As regards the doubts raised by CPRI in their earlier comments regarding the accuracy of voltage and frequency correction factor, he stated that the impact of the correction factor on the estimated requirement would be insignificant. Regarding CPRI's observation on the Load Factor, he stated that assuming 65% LF in the report is reasonable. Instead of a uniform Load Factor, adopting a different criteria for Karnataka due to wide variation in energy consumption during monsoon and non-monsoon period may be thought of. However, as there is no other assumption, which could be considered as more realistic, considering 65 % LF is acceptable. A lower LF (say 60%) would perhaps be better for the purpose of Load Forecast and therefore an alternative forecast with 60% LF may also be prepared. Capacity requirement was worked out in the earlier report considering all the reserves but the same is not included in the present report.
- d) As regards the views expressed by Prof Narayanana on the earlier report regarding requirement of larger data sample, he opined that considering data for a longer period does not enhance the accuracy of future projections and it would introduce distortions as conditions and policies prevailing earlier would be quite different.

- e) Commenting on the four alternate methodologies adopted by KPTCL in the report, he stated that it is impossible to decide which of the four methodologies is more reliable. It was pointed out that the results for domestic category under trend analysis are unrealistic. Similarly under multi-regression model the growth rate under LT Power is constant whereas it increases under domestic lighting. Therefore, a macro approach would be more realistic as refinement at micro level estimates do not make the projections more accurate.
- f) As regards earlier comments made by the Special Secretary Reforms on the earlier report, he expressed his views as follows:
- i. ESCOMs' views are essential for any load forecast and the same should be considered by KPTCL in future.
 - ii. On the consideration of the impact of Electricity Act 2003, the forecast is based on factors like per-capita income, GDP etc, and hence the demand is not affected by the monopolistic or competitive structure of the power sector.
 - iii. On the issue of impact of cross subsidies on the energy consumption factor, under the present policy this will have very little impact on the load forecast.
 - iv. On the issue of DSM regarding utilisation of captive energy, it may not be economical to produce electricity from the captive units, even if the fixed cost is negligible. However co-generation sugar plants should be accounted in the forecast.
 - v. Regarding limiting IP consumption, depending upon the availability of additional data on ground water, the estimates could be revised and similarly the impact of micro controllers on the IP consumption will have to

be considered, provided the current experiment on micro-controllers is successful.

- vi. Regarding bringing back the captive consumers to the grid, he opined that the shift from captive to the grid should be voluntary and based on commercial principles.
- vii. On the suggestion to consider the impact of solar water heaters, he opined that apart from solar water heaters, the impact of use of gas heaters and CFLs should also be considered for assessing the energy requirement of domestic consumers.
- g) Correction made for voltage and frequency for FY04 indicates different figures for different methodologies employed. The negative correction for HT power and trend analysis needs to be explained. The correction factors applied for FY04 seem to be higher.
- h) KPTCL shall clarify as to how 3528 MU of captive energy would be transferred to the grid by the end of 11th Plan.
- i) In the scenario approach there is steep increase in the energy requirement in FY12 mainly due to a higher consumption in HT power. Such increase in HT power to the tune of 5800 MU as compared with other methodologies needs explanation.
- j) No specific recommendation has been made in the report on the methodology to be adopted.
- k) Regarding the IP sets, he expressed that in the foreseeable future it is doubtful to provide 24-hour power supply and in fact it may not be necessary. As long as power is not used for pumping between 6 PM to 9 PM and if possible between 10 AM and 12 Noon, the utilities would be happy and farmers too would be satisfied. Reliable technology has been developed to regulate

power supply in this manner and very importantly to provide 24 hrs supply to other categories. This possibility has to be incorporated in the Load Forecast exercise. Considering 6 hours power supply for IP sets is an alternative to be considered in the forecast.

- l) Loss level of 21.6% proposed by KPTCL in FY12 is high. He suggested to adopt a steeper loss reduction profile so as to bring down the loss to 18% in FY12. The requirement in FY11 would be 50,000 MU based on CAGR with a loss of 18%, assuming 1.5% loss reduction every year.
- m) KPTCL to clearly state in its report that CEA projections are on the higher side and the reasons for such higher forecast.

While concluding, he suggested that the load forecast furnished by KPTCL be approved tentatively so that it would enable planning of capacity addition and strengthening of T & D System, as it is always possible to have mid-stream corrections duly taking into consideration the above observations and such load forecast is a continuous exercise. He further suggested adopting partial end use method.

Written comments furnished by Sri B.G. Rudrappa is placed at Annexe-2.

- 2) Shri N.S.S. Narayana Professor, Indian Statistical Institute expressed that the present report has been prepared by KPTCL duly complying to various observations made earlier and is acceptable. However, he made the following observations:

- a. In the revised report, under multi-regression analysis, various categories have been related to appropriate

explanatory variables. Further the diagnostic test has been more or less satisfactory.

- b. The data considered is limited to 13 to 14 years. However it was suggested that a larger data set including the data for the periods of 1970s and 1980s should have been considered. However with the limited data considered the results would not have been much better. Regarding Sri Rudrappa's comment on considering larger historical data, he pointed out that statistically, to have higher confidence level, larger data set is essential, which would narrow the band within which the projections would lie.
- c. Forecast should be made ESCOM wise to have higher precision.
- d. The consideration of 10% GDP for Karnataka seems to be reasonable. However, under the scenario approach, the impact of up-coming projects like Airport and Rail Projects, on requirement of water and street lighting seem to have not been considered.
- e. Based on the present report, in the long run, Karnataka has to put in a lot more investment in the power sector.
- f. Construction of scenario approach should be exhaustive and properly listed.

He recommended that the report be approved subject to minor corrections.

Written comments submitted by Sri N.S.S. Narayana is placed at Annexe-3.

3. Sri.Govindappa stated that considering the historical Load factor of the state, 70% LF should be considered.

Written comments submitted by Sri Govindappa is placed at Annexe-4.

4. Sri Mushtaq Ahmed pointed out that the projected growth rate by various methods was in the range of 6 to 7% and the average above 6.5%. This growth rate is in tune with the earlier projections made by the working group based on the trend analysis. He requested the Commission to approve the forecast report.
5. MD BESCOM stated that the sales forecast indicated for BESCOM is on the lower side. He stated that 24 hours supply would be made available in Ban galore in the next 4-5 months. There is rapid growth in terms of IT Parks, and new residential layouts etc. The consumption in Bangalore is expected to be double in 3-4 years. All these factors have not been considered in the forecast. TD BESCOM also endorsed the same view and stated that the HT industrial consumption has gone up by 13% in BESCOM over the previous year.
6. Sri Jagannatha Gupta, PRDCL stated that:
 - a. The correction factors have been applied for 14 years historical data.
 - b. For IP sets 10 hours supply is considered.
 - c. On the commercial losses, he stated that 80% of the commercial loss is in IP sets and regularization of unauthorized IP sets would bring down the commercial loss, converting the loss into sales, thus not having any impact on the energy requirement. Regarding the ground water potential it is stated that they have relied upon the published report of Department of Mines and Geology.

Member-2/KERC pointed out that the 1999 report of Dept of Mines and Geology is quite old and may not reflect the current position.

- d. Regarding the higher loss figures considered in the base year, it was stated that 28% loss approved by the Commission is under restricted conditions. As the peak load increases under unrestricted scenario, the losses would also go up.
7. PWC expressed the view that forecast should be balanced and should not be either too optimistic or too pessimistic. It was also brought to the notice of the Commission that in Orissa, the forecast is linked to the business plan.
8. FDP consultants to GoK did not express any views.
9. Director (Technical) KERC, referring to the earlier presentation made by the staff of the Commission, highlighted the objectives of the Load Forecast and pointed out that the load Forecast in the present form in the unrestricted demand scenario will not meet the requirement of ERC/Tariff filing and FRP.

10. Sri S.D Ukkali Member KERC made the following observations:

- a) ESCOMs should be consulted while preparing the forecast.
- b) The forecast should be linked to the business plan.
- c) Under open access, HT consumers may opt for cheaper sources of energy. The impact of this should be considered in the forecast.
- d) As surcharge is not applicable to captive units, the assumption of KPTCL of bringing back captive consumption to the grid has to be re-looked.

11. Sri H.S.Subramanya Member KERC stated that the load forecast cannot be viewed in isolation. The Commission has to take a

holistic view of the sector and the financial impact of the load forecast needs to be kept in view. The capital investment for generation, transmission and distribution to meet the required energy and peak requirement as per the load forecast, financial capability of the utilities to meet such financial obligations, the subsidy impact on the government and the tariff impact to the end consumers should also be kept in view while approving the forecast. The Commission would take a view in the matter.

12. KPTCL stated that this is only a draft report and considering the comments and suggestions received, the report will be modified and furnished to the Commission.

Sri H.S.Subramanya, Member, KERC thanked all the participants and concluded the meeting.

For Karnataka Electricity Regulatory Commission

Sd/-

Secretary

LIST OF PARTICIPANTS PRESENT FOR THE MEETING ON LOAD FORECAST HELD ON 4.1.05

KERC	
1	Sri H.S. Subramanya, Member
2	Sri S.D. Ukkali, Member
3	Sri. M. Nagaraj, Dir (Tech)
4	Sri G.S. Shashidhar, Dir (Tariff)
5	Sri H.S. Sheshadri, TAC
6	Sri Y.G. Muralidharan Consultant (CA)
Experts	
1	B.G. Rudrappa, Former Chairman, KEB.
2	Sri Govindappa Former Member (Technical) KEB
3	Sri. N.S.S. Narayana Prof. ISI

4	Sri Mustaq Ahmed Retd. CEE KEB
KPTCL	
1	Sri Kategihallimatt CEE(Planning)
2	Sri K.N. Nagaraj EE (Elecl) Planning
3	Sri K. Balaraman AEE (Elecl) Planning
4	Smt. Gayathri H.B AEE (Elecl)
ESCOMs	
1	Sri Bharat Lal Meena, MD, BESCO
2	Sri V.M. Chandregowda Director (T) BESCO
3	Sri A.N. Ramanujam GM (T) BESCO
4	Sri K.C. Naikwadi DT, GESCOM
Consultants PRDCL	
1	Dr. R. Nagaraj, MD
2	Jagannatha Gupta Retd CEE KEB (Representing PRDCL)
3	Sri Arun M.J Engineer
Consultants FDP	
1	Sri Sanjay B
2	Sri Karthikeya
3	Sri Vinayak Mavikurwe
4	Sri Sanjay Agarwal
5	Sri Rabi Sahu
Consultants PWC	
1	Sri Pradeep Roy Pricewater House Coopers

Annex-2.4

I/01/2/031

Date 05.01.2005

**The Managing Director,
KPTCL,
Kaveri Bhavan,
K.G. Road,
Bangalore 560 009**

Sir,

**Sub: Long Term Load Forecast report of KPTCL
Ref: Meeting held on 04.01.2005**

Please find herein enclosed a copy of the proceedings of the meeting held on 4.1.2005 on the above subject. The Commission appreciates the efforts made by KPTCL in preparing a revised load forecast after considering the views and comments made in the meeting held on 28th April 04. The Commission notes that the present load forecast report of KPTCL is also for an unrestricted demand scenario.

However, according to KERC guidelines for preparation of Load forecast, Power Procurement Plan, Power Procurement Procedure and the demand estimates included in the ERC shall be included in the Load Forecast as the estimates for the first year, Power Procurement Plan shall be in accordance with the approved Load Forecast and that the forecast should include forecast of technical and non-technical losses. In addition, the guidelines state that the Transmission Plan shall include the investment necessary to give effect to the Power Procurement Plan. Further, in the meeting held in April 04, it was pointed out that the objectives of the Load Forecast shall be not only to forecast energy and peak demand requirements for system

planning, but also for adopting the forecast in the ERC/Tariff determination and FRP. The implications of load forecast in an unrestricted demand scenario was also explained in the said meeting and KPTCL was requested to prepare the revised forecast keeping these points in view. It is reiterated that the load forecast for IP sets would depend not only upon the growth in number of installations/load in this category, but also on policies of the government regarding optimum utilization of ground water, tariff policy, subsidy policy and regularization of power supply to this category of consumers. However, the present load forecast of KPTCL has not considered these requirements.

The Commission is of the view that the Load Forecast cannot be considered in isolation only to know the estimates of energy and peak requirements for system planning without looking into various financial implications. Even though it is desirable that unrestricted demand is met and that planning should not be for a restricted demand scenario, the financial implications of such a load forecast cannot be ignored. While load forecast to estimate the energy and peak demand requirements in an unrestricted scenario is required, an alternative scenario, which is practicably implementable, considering the financial capability and its implications, is a must. A long term load forecast will have far reaching implications on the capital investment programme for generation, transmission and distribution, subsidy implications on the government and tariff implications on the consumers. Optimum utilization of available resources would be of paramount importance. Therefore, a holistic approach considering all these aspects have to be kept in view while preparing and approving a long-term load forecast.

In view of the above, the Commission is of the view that the Load Forecast should be linked to the Business Plan of the utilities with due firm

commitment from the GoK. I am directed by the Commission to request you to take action to revise the load forecast accordingly.

Thanking you

Yours faithfully
for Karnataka Electricity Regulatory Commission

Sd/-
Secretary

Copy for information to:

The Principal Secretary, Energy Department, GoK, M.S. Building, K.R.Circle
Bangalore.

The Managing Director, BESCOM/MESCOM/HESCOM/GESCOM
Bangalore/Mangalore/Hubli/Gulbarga

Annex 2.5

D/01/03/165

7th February 2005

The Principal Secretary,
Energy Department,
Government of Karnataka,
M.S. Building, K.R.Circle,
Bangalore-560 001.

Sir,

Sub: Reduction and elimination of cross subsidies.

According to section 61 of the Electricity Act 2003, amongst others, one of the guiding factors for the Commission while specifying the terms and conditions for determination of tariff shall be 'that the tariff progressively reflects the cost of supply of electricity, and also reduces and eliminates cross-subsidies within the period to be specified by the Appropriate Commission". Further, under section 39 of the Act regarding functions of the State Transmission Utility, section 40 regarding duties of the transmission licensees and section 42 regarding duties of distribution licensees, in the matter of providing open access, it is indicated that surcharge and cross subsidies shall be progressively reduced and eliminated as may be specified by the State Commission.

Further, under Section 181(2)(zc), the Commission is required to notify the Regulations specifying the period within which the cross subsidies shall be reduced and eliminated under clause (g) of section 61 of the Act. Similarly, under section 181(2)((j), (m) and (p), the Commission has to notify the regulations in the matter of reduction and elimination of surcharges and cross subsidies in the context of open access. Several consumer organisations including FKCCI have requested the Commission to issue the Regulations regarding reduction and elimination of cross subsidies and surcharge early.

Earlier, while determining the tariff by the Commission under the provisions of the KER Act, 1999, the Commission has examined in detail the matter of subsidy and cross subsidies and the same has been elaborately discussed in chapter 3.2 of the Tariff Order issued by the Commission in December 2000. Over the period, the Commission has rationalized the tariff of all categories of consumers by enhancing the tariff of subsidized categories of consumers and by reducing the cross subsidy percentage marginally in respect of industrial and commercial categories of consumers with reference to average cost of supply. It may please be seen from the Commission's Tariff Order 2003, that the tariff for all the categories of consumers, other than Bhagyajyothi and IP sets, has been determined by the Commission as equal to or above the average cost of supply. The Commission has also rationalized the tariff in respect of Bhagyajyothi and IP sets in the previous orders and as per Tariff Order 2003 their tariff is about 49% and 21% respectively of the average cost of supply. However, the Government has granted concessions in the tariff determined by the Commission from time to time to these categories.

The Commission is of the view that any reduction and elimination of cross subsidies for the subsidizing categories of consumers as contemplated in the Electricity Act 2003 would largely depend upon the policies of the government, in the matter of tariff for subsidized categories of consumers i.e. Bhagyajyothi and IP set consumes and also on the subsidy policy of the government for the sector apart from taking concrete steps to reduce the cost of supply by way of improvement in the efficiency of the system and reduction of losses. The Commission would like to know long term policies of the Government over the next 5 to 10 years in the matter of (i) tariff for Bhagyajyothi, IP sets and any other category and (ii) subsidy policy of the Government for the sector to fund the revenue gap. This will enable the Commission to bring out a draft regulation on the subject of reduction and

elimination of cross subsidies as contemplated in the Act duly considering all other inputs.

I am directed by the Commission to request the Government to communicate its views in the matter early.

Thanking you,

Yours faithfully.
For Karnataka Electricity Regulatory Commission

Sd/
Secretary

- Cc: 1. The Managing Director, KPTCL Bangalore, for information.
2. The Managing Director, BESCOM/MESCOM/HESCOM/GESCOM, for information.

Annex 2.6**No. X/02/2/352****Date 09.03.2005**

**Sri. V.S. Verma,
Member (Planning)
Central Electricity Authority,
Sewa Bhavan, Ramakrishna Puram
New Delhi 110 066**

Sir,

**Sub: Draft National Electricity Plan- regarding
Ref: CEA letter no. CEA/PLG/IRP/501/2/2005 dated January 2005**

CEA has issued the Draft national electricity Plan inviting suggestions and observations from the various stake holders. In response to the above, the Karnataka Electricity Regulatory Commission furnishes the following comments:

1. As seen from the draft Plan document, only about 47.5% of the capacity addition target has been met in the 9th Plan period and about 70% is expected to be achieved in the 10th plan period. It is time to find out the reasons for such huge shortfall and take corrective steps while preparing the Plan under the Electricity Act. The Commission notes that one of the major reasons for the shortfall is that while the forecast (EPS) made by the CEA earlier provided details of estimates of energy and peak requirement, it did not provide for detailed plan to achieve the targets. Since section 3(4) of the Electricity Act 2003 mandates preparation of the National Electricity Plan in accordance with the National Electricity Policy, the emphasis in the plan should be not only to forecast the energy and peak requirement but also detailed plan of action to achieve the objectives of the National Electricity Policy. In the Plan, apart from identifying generation projects to bridge the gap, it would also be

necessary to have an integrated approach to create necessary transmission and distribution system to match with generation targets. The entire plan would depend upon the availability of resources which cannot be ignored while preparing the plan and optimum utilization of such resources should take priority for balanced development of the sector. Therefore, availability of resources for the sector, at least in the short term till 2012 should be committed from various sources such as GOI, State Govts and funding agencies/institutions, and be included in the plan. Mere forecast of the peak and energy requirement and identification of generation projects in the plan will not lead to achievement of the targets. The plan should be practically implementable by close monitoring. CEA has projected a peak requirement for Karnataka as 10460 MW in 2011-12, which necessitates a capacity addition of 5600 MW (at 85% availability) by FY12, considering the existing capacity of 6692 MW (including NCE & Central share) as on FY04. This means that approximately an investment of Rs. 50,000 crores (At Rs. 9 cr. per MW) for generation as well as T&D. On an average, an investment of Rs. 7100 Crs per year would be required, which is unlikely. Considering the availability of resources would be absolutely necessary while preparing the plan.

2. A T&D loss in the system, which is a bane in the sector, is another important factor, which needs to be addressed in the Plan in detail. This calls for assessment of the technical and non-technical losses in the system and plan of action to reduce such losses. Investments required to reduce the technical losses has to be studied and plan be prepared accordingly, while reduction of non-technical losses would not require any significant investment. There should be definite targets to the states to reduce these losses in a given time frame.
3. Involvement of the implementing agencies (power utilities) and the state governments in preparing the plan would be essential as

otherwise enforcing responsibility for implementation of the plan may become difficult.

4. In the Annexures to the plan document, a summary of the plan for each state shall be provided separately so that all the details for the State are available at one place, which shall contain details of year wise peak and energy requirement, availability, projects in the pipeline, new projects contemplated and eventually the shortage/ surplus that would remain for the plan period, with funding and investment details.
5. Other comments on the plan are enclosed.

I am directed by the Commission to request you to consider all the above points before finalizing the Plan.

Sri. M. Nagaraj, Director-Technical, KERC may be contacted for further interaction.

Thanking you,

Yours faithfully
for Karnataka Electricity Regulatory Commission

Sd/-

Secretary

Annex 2.7

No. S/03/0/416

25.3.2005

**The Principal Secretary to Government
Department of Energy
Government of Karnataka
Multi storied Building
Bangalore**

Sir,

Sub: Revision of rates for fixation of tariff for wind power projects.
Ref: Govt. Order No.EN 13 NCE 2003 (P), Bangalore, dated 24.2.2005.

1. In the Order cited above, Government has approved a revised structure of tariffs to wind power projects, which are commissioned before 31.8.2003 as follows:

Rs.3-25 per unit or at the relevant MNES guidelines based tariff of the year whichever is less and escalated at 2% of base tariff of Rs.3-10 per annum commencing from the date of commissioning of the project with a ceiling of Rs.3.658 per unit.

2. The Preamble to the above Order at item (1) refers to Government letter No./DE 13 NCE 2003 (P) dated 23.6.2003 addressed to the Commission in respect of fixation of tariff for purchase of power from Biomass and wind power projects based on a proposal from KPTCL. Government had communicated approval to the following rates in respect of windmill projects.

Rs.3.25 per kwhr from power projects already commissioned and to be commissioned on or before 31st August 2003 and Rs.3.10 per kwhr for power projects to be commissioned after 31st August 2003. Annual escalation will be 2% on base tariff.

Government had also approved submission of PPAs for wind mill projects by KPTCL to the Commission with the above rates for approval.

3. The Commission examined the above tariff rates approved by the Government and found them reasonable and accordingly approved 110 Nos. of draft PPAs in respect of windmill projects submitted by KPTCL up to 10.6.2004. Power purchase agreements have been entered into between KPTCL and developers for the above projects and signed agreements have been filed with the Commission.

4. In this connection, the Commission desires to bring to your notice that any revision in tariff rates in respect of the already executed agreements has to be given effect to only with the approval of the Commission. In this context it is also relevant to draw your attention to an earlier Order of the Government dated 17.2.2003 (copy enclosed for ready reference – Flag A) withdrawing its Order dated 17.9.2002 (copy also enclosed for reference – Flag B) after observing as follows:

“Since determination of tariff is vested with the Commission, it would not be appropriate for the Government to intervene in the matter again and again.”

5. The Commission further desires to inform you that, under the Electricity Act 2003 also, determination of tariff in respect of any Generating Company selling power to a Licensee is vested in the Commission as per Section 62 (1) of the Act. In accordance with the provisions of the Act, the Commission has already issued the Regulations concerning Power purchase from Non-conventional energy source based projects (copy at Flag C). The Commission has also issued an Order determining the tariffs for these projects under the provisions of the Act on 18.1.2005 (copy at Flag D). Power purchase agreements in this regard have to be entered into henceforth on the basis of rates determined by the Commission as notified in the Order.

6. Under the circumstances, I am directed by the Commission to inform you that the Order dated 24.2.2005 issued by the Government revising the

tariff for wind mill projects commissioned before 31.8.2003 is clearly not in conformity either with the KER Act 1999 or with the Electricity Act 2003 and cannot be implemented by the KPTCL/ESCOMS. They will have to seek the approval of the Commission and Commission will examine those rates on merits. In other words, it may not necessarily go by the rates approved by the State Government.

7. In view of the above, Government may consider the advisability of withdrawing its order dated 24.2.2005.

**Yours faithfully,
For Karnataka Electricity Regulatory Commission**

**Sd/-
Secretary**

- Copy to:
1. Managing Director,
Karnataka Power Transmission Corporation Ltd
Cauvery Bhavan
Bangalore 560009
 2. Managing Director
Bangalore Electricity Supply Company (BESCOM),
K.R. Circle,
Bangalore 560 001.
 3. Managing Director
Hubli Electricity Supply Company. (HESCOM)
2nd Floor, Eureka Junction, T.B. Road
HUBLI 580 029
 4. Managing Director
Gulbarga Electricity Supply Company (GESCOM)
Gulbarga Main Road
GULBARGA 585 102
 5. Managing Director
Mangalore Electricity Supply Company (MESCOM)
Paradigm Plaza
A.B. Setty Circle
MANGALORE 575 001
 6. Managing Director
Chamundeshwari Electricity Supply Corporation
MYSORE

Annex 2.8**GOVERNMENT OF KARNATAKA****NO. EN 13 NCE 2003(8)****Karnataka Government Secretariat
M.S. Building
Bangalore, Dated: 4.5.2005**

From:

The Principal Secretary to Government
Department of Energy
Bangalore 560 01

To:

The Secretary
Karnataka Electricity Regulatory Commission
M.G. Road,
Bangalore 560 001

Sir,

Please refer to your letter dated 25.3.2005 regarding revision of rates for fixation of tariff for wind power projects. In Government letter No. DE 132 NEE 2003(P) dated 23.06.2003 addressed to the Secretary, KERC, Government approved the rate at which KPTCL proposed to purchase wind energy and approved submission of power project agreements for wind energy to KERC with these rates. The rates proposed for wind energy were Rs. 3.25 per unit for power projects already commissioned and to be commissioned on or before 31.08.2003 and Rs. 3.10 per unit for power projects to be commissioned after 31.08.2003 with an annual escalation of 2% on the base tariff.

However, subsequently, KPTCL raised an objection to this tariff structure on the ground that several wind energy projects had been commissioned more than a year prior to 31.08.2003 and if they were paid at the rate of Rs. 3.25 per unit for the first year of generation with annual escalation of 2% on

the base tariff of Rs. 3.25, the current tariff would exceed Rs. 3.32, which was the upper limit for all NCE projects as per the decision of KPTCL. At the time when KPTCL had sent its original proposal to Government, it had not informed the Government that there were some wind energy projects which were commissioned long before 31.08.2003 but for which PPAs were not signed.

Hence in order to give some financial relief to KPTCL, Government notified its letter of 23.06.2003 and gave approval for the revised structure of tariffs for wind energy projects commissioned before 31.08.2003. The only difference is that escalation is taken at 2% of Rs. 3.10 per annum instead of 2% on Rs. 3.25. That means the escalation factor becomes Rs. 0.062 per annum instead of Rs. 0.065 per annum. This is subject to a ceiling tariff of Rs. 3.658 per unit.

Government has not determined the tariff for wind energy. It has only given its approval for proposals to be submitted by KPTCL or ESCOMs to KERC. In the Government letter dated 23.06.2003, it is clearly stated that the Government gave approval to the proposals of KPTCL and approved the submission of PPAs to KERC. All that has been done in the G.O. dated 24.02.2005 is to modify the earlier approval in a way, which results in slight reduction in the tariff and lower financial burden on power utilities. As KERC has approved the earlier proposals, it is presumed that KERC will also approve these proposals as they involve reduction in tariff.

Yours faithfully

Sd/-

(Suresh. B. Krishnappanavar)

Under Secretary to Government
Energy Department

Annex 2.9

No. B/12/3/268

Date: 21.02.05

**The Principal Secretary,
Energy Department,
Government of Karnataka.**

Sir,

Sub: Transmission and Distribution Losses in power system of Karnataka

KPTCL and ESCOMs have submitted their ERCs for the financial year 2004-05. While furnishing the ERCs, the Utilities have furnished transmission and distribution losses for FY 04 and FY 05 (projected). While analyzing the loss figures it is observed that the transmission system losses (from generation level to interface points) in KPTCL system has come down significantly from the level of 6.83% in FY 03 to 4.89% in FY 04. However, during the same period the distribution losses (from interface points to consumer level) in the distribution systems of ESCOMs have increased.

The Commission has been emphasizing the need for reducing the losses right from the beginning. In this connection the Commission, over the last 5 years has issued several directives. Voluminous correspondence has taken place over these years apart from discussions in several review meetings. The response of the utilities to these directives of the Commission is lukewarm and has not yielded the desired results.

The individual losses filed by KPTCL & ESCOMs and approved by the Commission for FY03, FY04 and FY05 (projected) are as hereunder.

Sl	Utility	%age Losses for FY03		%age Losses for FY04		% age losses for FY05 (Projected) as per ERC for FY05
		Loss apprd. by Commn (Order on Split ERC)	As per revised ERC for FY05	Apprd. by Commn (Tariff Order 2003)	As per revised ERC for FY05	
1	BESCOM	21.50	24.53	21.35	26.04	22.90
2	MESCOM	15.40	23.32	21.28	20.87	20.64
3	HESCOM	24.00	31.92	27.71	29.13	28.70
4	GESCOM	36.90	33.69	27.05	38.86	38.55
5	ft. Distn. Loss as % of input to ESCOMs considered together	23.10	27.11	23.37	27.48	25.85
5	CL Tr. Loss	6.39	06.83	6.00	04.89	04.80
6	al of T&D Loss	28.00	32.02	28.00	31.00	29.34

In the Tariff Order 2000, the Commission had clearly pointed out that the commercial losses in the system were more than 10%. The Commission, in the above said Order and also in the subsequent correspondence and review meetings has repeatedly reiterated this fact and urged the Utilities consider the commercial loss reduction in the distribution system seriously with better house keeping which involves least financial burden on the utilities. The efforts made by the utilities so far have not been up to the desired level and therefore have not made much of a dent on losses.

Even in the Tariff Orders 2002 and 2003 the Commission had observed that the losses had increased from the levels of the previous years in the distribution system. The T&D losses approved by the Commission for FY 03 and FY 04 was 28% and the ERC was approved based on these loss levels.

The transmission loss has come down from the level of 6.83% in FY 03 to 4.89% in FY 04 where as the distribution loss has gone up from the level of 25.19% in FY 03 to 26.07% in FY 04 which is an increase of about 0.88%. The major contributor to the increase in distribution loss is GESCOM where the loss has increased from 33.69% in FY 03 to 38.86% in FY 04. In BESCOM the loss has gone up in FY 04 to 26.04% from 24.53% in FY 03 (an increase of 1.5%). Loss reduction is observed in MESCOM and HESCOM in FY 04 from the levels of FY03. In case of MESCOM the loss level in FY 04 has come down to 20.87% from a level of 23.32% in FY 03 which is also well within the figure of 21.28% approved by the Commission for FY 04 in the Tariff Order 2003. In case of HESCOM the losses have been reduced to 29.13% in FY 04 from 31.92% in FY 03 which is however higher than the approved figure of 27.71% for FY 04. Further, especially in GESCOM the loss level approved by the Commission was 27.05% where as the level reported by the ESCOM is 38.86%, an increase of a whopping 11.81%. In BESCOM the loss level approved was 21.35% where as the loss reported is 26.04%. The loss levels of the ESCOMs are thus alarmingly high.

The GoK has approved the Financial Restructuring Plan (FRP) of the Power Sector vide G O No. DE 12 PSR 2001 dated 30th March 2001. As per this Plan the total T&D losses for the state are 32%, 29.80% & 27.50% for FY 03, FY04 and FY05 respectively. As can be seen from the table above there is shortfall in achievement of loss reduction compared to the T&D loss levels approved in the FRP by the GoK.

As per the CEA norms the total T&D losses are expected to be about 15%. The National Electricity Policy issued by the GoI, specifies that the loss levels have to be brought down in line with international practices by the year 2012.

The Commission has been monitoring the distribution loss levels of 46 towns & cities of the state with population of 50,000 and above. The procedure and formats for loss estimation in these towns and cities was issued to KPTCL

on 28.3.2000 under energy audit action plan. These towns/cities were selected by the Commission for energy audit to avoid assumptions/approximations as most of the installations under these towns/cities belong to metered categories. Recently 8 more towns have been added to the list and reports in respect of some of the towns are being received. The Commission has been receiving the reports periodically. However, of late, reports from BESCO are not being received regularly. It is observed that the progress in loss reduction has been very slow and the losses vary widely from month to month for which no satisfactory explanation is given by the ESCOMS. Further, several discrepancies are observed in the loss estimation right from the beginning and the same were highlighted by the Commission and the utilities were requested on several occasions to take proper care to get the reports vetted by the higher officers before furnishing the same to the Commission. In spite of this, the discrepancies continue to be reported in respect of most of the towns. The Commission had issued a directive on 04.10.2000 to reduce the distribution losses in each of the 46 towns/cities to a maximum of 15% and suggested action plan to reduce the losses effectively. Further, since there was no appreciable loss reduction, the Commission had issued a directive on 28.11.2002 that in respect of these towns/cities, maximum loss of 15% or actuals, whichever is less only would be allowed to be passed on to the consumers as tariff. The Commission was firmly of the view that the distribution losses in these towns/cities could have been brought down with minimum efforts to 15% and below by plugging thefts and commercial losses and therefore considered that it was not fair to pass on the full loss to consumers. The losses in respect of all the towns in GESCOM are more than 20% and are highest in Bidar and Bellary. Similarly in respect of a few towns in HESCO the losses are more than 20%. The city/town wise average losses for FY 02 to FY 05 (up to September) are furnished in the enclosed statement.

It is amply evident from the above, that there is lack of commitment on the part of the ESCOMs in loss reduction efforts. Unless the losses are reduced, the finances of the utilities cannot be improved. Hence it is reiterated that the utilities must strive for reduction of commercial losses; and improve the metered consumption by better house keeping.

I am directed by the Commission to request you to take appropriate follow up action in this regard. The Commission would appreciate and expect a detailed Action Taken Report in this matter.

Thanking you,

**Yours faithfully,
for Karnataka Electricity Regulatory Commission,**

**Sd/-
Secretary.**

Cc: to : Principal Secretary to Hon'ble Chief Minister
Cc: to: Principal Secretary to Hon'ble Deputy Chief Minister
Cc: to: P S to Hon'ble Minister for PWD & Energy
Cc: to: Advisor to Hon'ble Minister for PWD & Energy
Cc: to: Special Secretary (Reforms), Energy Dept., GoK
Cc: to: Chairman, ESCOMs & MD, KPTCL, Bangalore
Cc: to: MD, BESCOM/MESCOM/HESCOM/GESCOM

Annex 2.10**Before the Karnataka Electricity Regulatory Commission, Bangalore****Dated 21st February 2005**

Present:	Sri K.P.Pandey	Chairman
	Sri H.S.Subramanya	Member
	Sri S.D.Ukkali	Member

In the matter of subsidized Power Tariff Scheme to Power Loom Industries**O R D E R**

1. BESCO in its letter-dated 30.12.04 has brought to the notice of the Commission that the GoK vide Order No.CI-70 Jakaie 2004 dated 9.11.04 2004 issued by Commerce and Industries Department have approved subsidized tariff to power loom industries in the state of Karnataka at the rate of Rs.1.25 per unit for the energy consumed by the power looms having a power connection up to 10HP & 10 looms. The order is effective from 2nd October 2004. According to the guidelines issued by the Govt along with the said GO, the electricity supply companies will levy subsidized tariff to the list of units provided by the Department of Handlooms & Textiles and the difference of amount between the present rate of power tariff and the subsidised power tariff will be claimed by the respective electricity supply companies from the Commissioner for Textile Development & Director Handloom Development and Textiles, once in six months.
2. The relevant provisions of the Electricity Act 2003(herein after called Act), governing the grant of subsidy by the Government in the tariff determined by the Commission are as under:

Section 65: "If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, in advance in the manner as may be specified, by the State Commission the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government,

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by State Commission shall be applicable from the date of issue of orders by the Commission in this regard."

3. According to the above provision of the Act, the state government shall pay in advance the amount to compensate the person affected by grant of subsidy as may be directed by the Commission and payment of subsidy in advance by the Government is a precondition for implementing the order of the Government. The Government has decided in the above GO to pay subsidy to the Electricity Supply companies in order to provide subsidised power tariff for the power looms.
4. BESCO has issued a circular on 27.12.2004 to implement the above said Government Order. According to this circular the difference in present tariff and the subsidized tariff shall have to be claimed by BESCO from the Commissioner for Textiles Development and Director of Handlooms and Textiles once in six months. Therefore, the Commission observes that the said Circular issued by BESCO for

implementation of the above GO, without recovering the subsidy amount in advance is not in accordance with the provisions of the Act.

5. As per letter dated 19.01.2005 of the Commissioner of Textile Development and Director Handlooms & Textiles, addressed to HESCOM, it is indicated that the amount towards the subsidized tariff to handloom industries would be released in advance on a quarterly basis after verification of details by HESCOM.
6. The Secretary to Government, Commerce and Industries Department vide letter dated 29.01.2005 has requested the Commission to fix the tariff of Handloom power looms at Rs.1.25 per unit with effect from 2.10.2004. It is stated therein that the difference between the present tariff and the subsidized tariff would be provided to ESCOMs by the department. The Commission observes that there is no need to refix the tariff already determined by the Commission and the requirement under the Act is that the government has to release the subsidy due on this account in advance in the manner specified by the Commission.
7. Under the provisions of Section 65 of the Act, the Commission hereby specifies the manner of payment of subsidy required for implementation of the above said GO as follows:
 - a. ESCOMs shall claim from Commissioner of Textile Development and Director Handlooms & Textiles, GOK the amount of subsidy in advance of each quarter based on the average consumption of the eligible power loom installations in the preceding six months. The claim shall be made one month in advance of each quarter.
 - b. The Commissioner of Textile Development and Director Handlooms & Textiles, GOK shall release the payment of subsidy to the ESCOMs one week in advance of commencement of each quarter.

- c. In case the subsidy amount is not released in advance by the GOK for any quarter as above, the normal tariff as has been determined by the Commission shall be applicable for that quarter in terms of proviso to section 65 of the Act
- d. In the bills raised on the consumers by the ESCOMS, the bill as per the tariff fixed by the Commission, the amount of subsidy provided by the Government and the net amount of the bill due by the consumer shall be shown distinctly. The same shall be accounted accordingly in the consumer ledger and the DCB of the ESCOMS.
- e. Any excess/short claim of subsidy for each quarter based on estimated consumption shall be adjusted in the subsequent quarter based on actual consumption.
- f. Since the government has ordered grant of subsidy retrospectively from 2.10.04, subsidy amount due from 2.10.04 up to the date of first advance claim shall be claimed by the ESCOMS based on actuals immediately and the same shall be released by the government within 15 days of receipt of claim.
- g. The same procedure, as indicated above, shall be followed by Hukkeri Rural Electric Co-operative Society also.

Sd/-
S.D.Ukkali
Member

Sd/-
H.S.Subramanya
Member

Sd/
K.P.Pandey
Chairman

Annex 2.11**Details of Appeals/Petitions/Review petitions received in the Commission**

Sl. No.	Case Number	Date of Filing	Parties	Subject in Brief	KERC Order Date	Brief Details
ORIGINAL PETITIONS						
1.	OP 10/04	8-4-2004	B. Premakumar Vs. Bescom and others	illegal recovery proceedings	1-7-04	The petition was allowed
2.	OP 11/04	9-6-2004	D.R. Thimmashetty Vs. BESCO and others	BBC	14-10-04	The Petition was allowed
3.	OP 12/04	11-6-2004	Madras Cements Vs. KPTCL	Wheeling and Banking agreement	23-9-04	The Petition was disposed off.
4.	OP 13/04	22-6-2004	R.T. Habeeb Vs. Hescom & others	BBC	4-11-04	The Petition was allowed.
5.	OP 14/04	29-6-2004	Koppal Green Power Limited Vs. KPTCL and others	PPA	26-8-04	The Petition was dismissed.
6.	OP 15/04	13-7-2004	Mysore Grahakara Parishat Vs. KPTCL and another	Excess Photocopying charges	23-9-04	The Petition was not admitted
7.	OP 16/04	12-8-2004	Ashok Neeli Vs. Hescom and others	BBC	4-11-04	The Petition was allowed.
8.	OP 17/04	30-8-2004	Shri T.N. Jaratarghar Vs. Hescom and others	BBC	3-3-05	The petition was dismissed.
9.	OP 18/04	3-9-2004	Kalyani Steels Vs. Hescom.	Refund of excess Billing by Gescom.	4-11-04	The Petition was not admitted.

10.	OP 19/04	11- 10- 2004	M.R.S. Kamath Vs. Bescom & others	Change of category	6-1-05	The petition was rejected
11.	OP 20/04	18- 10- 2004	Keshavadas Gurumukhdas Vs. Bescom and another	Refund of excess amount	27-1- 05	The Petition was disposed off.
12.	OP 21/04	28- 10- 2004	M/s. Genesys International Corporation Vs. Mescom and others	BBC		Pending
13.	OP 22/04	2-11- 2004	Principal, Sainik School, Bijapur Vs. Hescom & others.	BBC	10-3- 05	The Petition was partly allowed.
14.	OP 01/05	20- 12- 2004	M/s. Ace Designers Vs. Bescom and Others	BBC		Pending
15.	OP 02/05	7-1- 2005	Panchamal Industrial Corporation Vs. Mescom and others	BBC	24-3- 05	The petition was dismissed.
16.	OP 03/05	20-1- 2005	R.K. Powergen Pvt. Limited Vs. KPTCL	Termination of PPA	7-4-05	The Petition was disposed off.
17.	OP 04/05	1-2- 2005	Kalyani Steels Vs. KPTCL and another	Permission to purchase of power on Open Access basis.		Pending
18.	OP 05/05	27-1- 2005	H.R. Ravichandra Vs. Bescom and others	Power supply to the layout	7-4-05	The petition was disposed off.
19.	OP 06/05	17-2- 2005	Maliksab Vs. Hescom and others	BBC		Pending

20.	OP 07/05	7-3- 2005	M.C. Hordi Vs. Hescom and others	BBC		Pending
21.	OP 08/05	7-3- 2005	A.C. Bellad Vs. Hescom and others	BBC		Pending
22.	OP 09/05	21-3- 2005	Euro Ferro Alloy Private Limited	Determine Transmission charges		Pending

APPEAL PETITIONS

1.	A 1/04	18-6- 2004	AEE (El.), Gadag, Vs. Electrical Inspector, Dharwad and another.	BBC	26-8- 04	The Appeal was not admitted.
2.	A 2/04	18-6- 2004	AEE (El.), Gadag, Vs. Electrical Inspector, Dharwad and another.	BBC	26-8- 04	The Appeal was not admitted.
3.	A 3/04	18-6- 2004	AEE (El.), Gadag, Vs. Electrical Inspector, Dharwad and another.	BBC	26-8- 04	The Appeal was not admitted.
4.	A 4/04	18-6- 2004	AEE (El.), Gadag, Vs. Electrical Inspector, Dharwad and another.	BBC	26-8- 04	The Appeal was not admitted.
5.	A 5/04	18-6- 2004	AEE (El.), Gadag, Vs. Electrical Inspector, Dharwad and another.	BBC	26-8- 04	The Appeal was not admitted.
6.	A 6/04	18-6- 2004	AEE (El.), Karwar, Vs. Electrical Inspector, Dharwad and another.	BBC	26-8- 04	The Appeal was not admitted.

REVIEW PETITIONS						
1.	RP 05/04	22-3- 2004	Jindal Thermal Power Company Vs. Bhuwalka Pipes & Others.	Review the order dated 22-1-04	1-7- 04	The petition was dismissed.
2.	RP 01/05	11-1- 2005	Jindal Thermal Power Company Vs. Bhuwalka Pipes & Others.	Issue of Supply Licence for limited area.	7-4- 05	The petition was dismissed.
3.	RP 02/05	9-2- 2005	Hassan Bio- mass company Private Limited	Commissions order dated 18-1-2005		Pending
4.	RP 03/05	18-2- 2005	Dev Power Gen Pvt. Ltd.	Commissions order dated 18-1-2005		Pending
5.	RP 04/05	25-3- 2005	South Indian Sugar Mills Association Vs. KPTCL and another.	Commissions order dated 18-1-2005		Pending
6.	RP 05/05	31-3- 2005	KPTCL	Commissions order dated 18-1-2005		Pending

Annex 2.12
HIGH COURT CASES WHERE THE KERC IS A PARTY

	No.	Between	In the matter of	Remarks
1	WP No.30649/ 2000 C/W 30627/200 0, 30628/200 0 and 30629/200 0 (GM- KEB)	I) In W.P.No.30649/20 00 Kirloskar Electric Co.Ltd. II) In W.P.No.30627/20 00 Goetze (India) Financial Services Ltd. III) In W.P.No.30628/20 00 Jindal Aluminum Ltd. IV) In W.P.No.30629/ 2000 Indowind Energy Ltd. Vs. 1) State of Karnataka, Dept. of Energy. 2) KPTCL 3) KERC 4) Karnataka Renewal Energy Dev. Ltd. 5) Union of India, Ministry of Non Conventional Energy Sources (Respondents are all common in all the above W.Ps.	Against KPTCL's letter dated 2.9.2000 regarding increasing the wheeling charges from 2% to 20% of the energy generated and transmitted.	<u>Pending before the High Court.</u> 1) Statement of objection filed on behalf of KERC. 2) The interim order passed on 6.11.2000 to collect wheeling charges at 10%. 3) Vakalath filed, 4) In W.P.No.30649, the Petitioner made the KERC as a party at the time of filing the Writ Petition and notice is not received either from High court or by Advocate to the KERC.

2	WP No.12426	Shri G.P.Shivaprakas h Vs. 1) The State of Karnataka, Dept. of Energy, 2) KERC, 3) KPTCL, 4) Suptd. Engineer, Bangalore Circle (North), KPTCL, B'lore.	Declaring Section 9.02 and 9.04 of the ES & D Code as unconstitutional. Direct Respondent 3 & 4 to accept the development charge.	Pending before the High Court. The Hon'ble High Court in its order-dated 26.4.02 on IA 2 filed by the petitioner directed the respondents 3 & 4 to give necessary electricity connection. The payment now made by the Petitioner pursuant to Annex. A shall be subject to the result of the W.P. Question of payment of interest by KERC in the event of the petitioner succeeds in the W.P. The said point is kept open. Vakalath served on 16.4.2002, 2) Notice has been received by KERC on 2.4.02. 3) Vide our office letter dated 5.7.02 we had requested the Advocate to bring the order-dated 19.1.2001 passed in W.P.No.27938/96 at the time of hearing the petition.
3	MFA No.4795/0 2 SLP No. 23793/04	M./s Jindal Thermal Power Co. Ltd. Vs. 1)KPTCL, 2)Govt. of Karnataka, Energy department	PPA	Special Leave Petition filed before the Hon'ble Supreme Court of India. The Hon'ble Supreme Court of India in its order dated 28-3- 05 requests the Hon'ble Chief Justice for listing the matters before an appropriate larger bench. All the questions to be raised by either of the parties and reliefs claimed or left open.

4	MFA NO.4274/ 02	1) Sri C.V. Gopala Krishna, 2) Shri D. Bheema Bhat, 3) Sri M.Venkatakrishn a, 4) Sri K.Venkatramana Bhat Vs. 1) KERC, 2) KPTCL, 3) MESCOM.	Quash the Tariff Order dated 8.5.2002 passed by Respondent 1 (KERC) and in the alternative amended Tariff approved under section 27 (10) of the KER Act. 1999 2) IA I filed for staying the operation of the order dated 8.5.2002 in respect of LT2A i.e. AEH category and LT4 category i.e. applicable to agricultural pump set category.	Notice received on 5.9.2002. Vakalath filed on 26.9.02. Pending for hearing.
5	MFA NO.5185/ 02 (N/09/02 OP No.6/2002)	Secretary, BWSSB Vs. KPTCL	MFA filed against the order-dated 7.6.2002 passed in case No. OP 6/2002 upholding the decision of the respondent to levy Electricity charges under Tariff Reading HT 2(a) of KERC Tariff Order 2000 for the Sewage Treatment Plants of the Appellant. IA I filed praying to restrain the Respondent from taking any action for recovery of the disputed the dues including disconnection of electricity of the Appellant	High Court Order dated 2.9.2002 directed the Respondent not to disconnect the electricity supply for non-payment of disputed electricity charges on IA 1. The High Court in its letter- dated 17.9.2002 has requested this office to send entire records in OP No.6/2000 for which we have sent the entire records to the said court on 4.10.2002. Except this we have not received any MFA record or notice.
6	MFA No.6225/0	KPCL Vs. 1) KERC, 2) KPTCL	Set aside the order dated	Case is pending for hearing.

	2		25.7.02 of the Commission	
7	WP No. 1898/03 (GM-KEB)	Shri P.Bhaskar Vs. KPTCL and others	Sanction of additional power supply. Quash the impugned order dated 4.10.2002	Notice received on 6.2.2003. Copy of petition and vakalath sent to Advocate on 20.2.2003. Vakalath filed in Court on 21.2.03. Case is pending.
8	MFA No. 1557/03	BESCOM Vs. KERC	Special Scheme	Notice along with petition received from the High Court on 24.3.2003. Vakalath along with petition sent to Dua Associates on 28.3.2003. The Hon'ble High Court has passed the order on I.A. No.1 dated 29.4.2003 staying the direction issued to the Appellant by the Commission will be in force for a period of 8 weeks. The Hon'ble High Court in its order-dated 23.7.03 has continued the stay till further orders.
9	MFA 3457/2003	KPTCL and other four Companies Vs. KERC	Challenging the Order of the Commission in RP No.3/2003 dated 9.5.2003.	Copy of MFA received from the KPTCL Advocate on 16.6.2003. Vakalath along with copy of MFA sent to Dua Associates on 18.6.2003. Vakalath filed on 23.6.03.
10	MFA No. 3169/03 (RES)	Shri C.V.Gopala Krishna Vs. KERC	Setting aside the order dated 10.3.2003	Notice dated 30.7.03 along with petition received from the High Court and Vakalath sent to Dua Associates on 20.8.03. Vakalath filed on 28.8.03.
11	MFA No. 3725/03 (RES-)	KPTCL Vs. Shri Y.G. Muralidharan, Consultant (CA), KERC, Bangalore	Setting aside the order-dated 27.3.2003 passed in OP 24/2002.	Copy of petition, notice and vakalath sent to Dua Associates on 5.9.03. Vakalath filed on 9.9.03
12	WP NO. 45739/03 (GM-KEB)	Mohamed Kasim Vs. KERC and others	Quash Annex F dated 9.10.03 in OP No.33/2002 passed by the	The Hon'ble Court in its order-dated 22.10.03 has passed the following orders: 'Emergent notice re. Rule.

			Commission.	Mr.N.K.Gupta takes notice for respondents. On the petitioner depositing Rs.4,000/- respondents shall restore power supply to the premises in question.' Copies of W.P., interim order, notice and vakalath sent to M/s Dua Associates on 11.11.03. Vakalath filed on 17.11.03. Case is pending.
13	MFA No. 4256/03 (RES)	KPCL Vs. KERC	Setting aside the impugned order dated 10.4.03 passed by the Commission.	Copies of petition, notice and vakalath sent to Shri B.N.Prakash, Advocate on 24.11.03. Vakalath filed by the Advocate. Objections to be filed. Case is pending.
14	WP No. 33793/03 (KEB-GM)	Smt. Suvarna, Tiptur Vs. KERC and others	Quashing and staying the order of Respondent No.2 dated 27.6.2003	Vakalath, Copies of Notice and petition sent to Dua Associates on 27.11.2003. Vakalath filed. Case is pending.
15	WP No.46808/03 (GM-KEB)	Power Onicks Ltd., Hyderabad Vs. KPTCL and others	Quash and stay of Annex. M dated 5.7.2003	Vakalath, Copies of Notice and petition sent to Dua Associates on 27.11.2003. Vakalath filed on 1.12.03. Hon'ble High Court in its order dated 18.11.03 has stayed the order passed by the Respondent dated 5.7.03 and permitted the Respondents to file Statement of Objections within two weeks from 18.11.03. The case is pending.
16	WP No.46781/03 (GM-KEB)	Koganti Power Ltd., Vs. KPTCL and others	Reg. Quashing and staying of Annex. P dated 5.7.2003	Vakalath, Copies of Notice and petition sent to Dua Associates on 27.11.2003. Vakalath filed on 1.12.03. Hon'ble High Court in its order dt.18.11.03 has stayed the order passed by the Respondent dt.5.7.03 and permitted the Respondents to file Statement of Objections within two

				weeks from 18.11.03. Case is pending.
17	WP No.50755/03 (GM-KEB)	Shri Chamundeswari Sugars Ltd., Bangalore Vs. State & others	Terminating the PPA	Copies of Notice, Vakalath, Interim Order and Petition sent to Dua Associates on 26.12.03. Vakalath filed on 5.1.04. Case is pending
18	WP No.48235/03 (GM-KEB)	Indira Power Energies, Bangalore Vs. State and others	Terminating the PPA	Copies of Notice, Vakalath, Interim Order and Petition sent to Dua Associates on 26.12.03. Vakalath filed on 5.1.04. Case is pending.
19	WP No.48164/03 (GM-KEB)	Konark Power Projects Ltd. Vs. State of Karnataka and others	Quash and stay of order of 2nd Respondent.	Copies of Notice, Vakalath, Interim Order and Petition sent to Dua Associates on 1.1.04. Vakalath filed on 5.1.04. Case is pending.
20	WP No.2656/2004 (GM-KEB)	Energy Development Company, Harangi Vs. State and others	Regarding PPA	Copies of Notice, Petition and Vakalath sent to Dua Associates on 9.2.2004. Vakalath filed on 17.2.04. Reply to the petition sent to Dua Associates on 14.6.04. The Hon'ble High Court has passed an Interim Order dated 25.6.04 directing the petitioner to supply power at the rate of Rs.2.90 per KW - hour which amount has been suggested by the 2nd Respondent in Annex A and the petitioner shall supply the power to the 2nd Respondent subject to result of WP. The power to be supplied by the 2nd Respondent will be subject to the back down of generator if it is ordered on account of the system constraints by the second respondent. Case is pending.
21	WP No.51618/582-83/2004 (GM-	M.B.Lakshman and others Vs. KERC and others	Quashing the Tariff Order 2002	Copy of Petition and Vakalath sent to Dua Associates on 19.2.2004. Case is pending.

	KPTCL)			
22	WP No.54068/ 2003 (GM-KEB)	Vijayanand Travels Vs KERC and others	Separate individual energy meters to 3 shops	Copy of Petition and Vakalath sent to Dua Associates on 27.2.2004. Vakalath filed on 1.3.04. WP listed on 15.4.04. Case is adjourned and directed to post the case after vacation.
23	MFA No.8675/2 003 (KERC)	MD, BESCO Vs SBI, Bangalore and another	Setting aside the order dt.7.11.2003 passed in OP No.35/2003	Copy of Petition and Vakalath sent to Dua Associates on 27.2.2004. Vakalath filed on 1.3.04. The Hon'ble High Court in its order dated 24.6.2004 has stayed the operation of the order dated 7.11.2003 passed in OP No.35/2003 (SBI). Case is pending for final disposal.
24	MFA No.8370/2 003 (KERC)	M/s Visveswaraya Vidyuth Nigam, DG Plant Yelahanka Vs. KERC and another	Setting aside the order dated 10.10.03 passed by KERC	Copy of Notice, Petition and Vakalath sent to Shri B.N. Prakash on 10.3.2004. Vakalath filed. Objections to be filed. Case is pending.
25	WA No.7687/2 003 (GM- KEB)	M/s KPTCL Vs. KERC & another	Setting aside the order-dated 12.9.03 passed in WP No.11771/2001 (GM-KEB) by the learned single Judge.	Copy of the Notice, Petition and Vakalath sent to Dua Associates on 11.3.2004. Vakalath filed on 17.3.04. Case is pending.
26	MFA No.6891/2 002 (RES)	Shri Narasimha Nayak, Secretary, Thirthahalli Tq. Niravari Pump set Balakedarara Sangha Vs. KPTCL and another	Setting aside the Tariff Order 2000 dated 8.5.2002	Copy of Notice, Petition and Vakalath sent to Dua Associates on 24.3.2004. Vakalath filed on 27.3.04. Case is pending.
27	MFA 5640/2003 (RES)	Bhoruka Power Corporation Vs KERC and others	Determination of wheeling charges at para 13.24.2 of Tariff Order 2003	Copy Notice, Petition and Vakalath sent to Dua Associates on 1.4.2004. Vakalath field on 2.4.04.

				Case is pending.
28	WP 10168/2004 (GM-KEB)	BESCOM Vs. Arpee Electricals & another	Setting aside the order dated 8.1.2004 passed in OP No.32/03	Vakalath, copy of petition, interim order and notice sent to Dua Associates on 12.4.2004. The Hon'ble High Court in its order-dated 29.3.2004 has granted interim stay of Annex. C dated 8.1.2004 passed by KERC in Case No. OP 32/2003. Vakalath filed on 15.4.04. The Hon'ble High Court has granted the interim order on 29.3.04. The Advocate filed an IA No.1/04 for Respondent No.1 (Arpee Electricals) for vacating interim order dated 29.3.04. The Hon'ble Court in its order-dated 22.6.04 has rejected the interim order and granted to continue the interim order.
29	MFA 481/2004	KPTCL & 4 ESCOMs Vs. KERC	Fixing suitable Tariff	Copy of IA and Vakalath sent to Dua Associates on 23.6.2004. Copy of notice and MFA petition have been sent on 1.7.04. Case is posted for final hearing.
30	WP No.26853/2004 (GM-KEB)	The Godavari Sugar Mills Ltd., Mumbai Vs. KPTCL and others	Regarding PPA dated 8.9.99	Vakalath along with copy of petition sent to Dua Associates on 12.7.2004. The Hon'ble High Court in its order dated 22.7.2004 directed R1 to restore grid connection to the generating plant of the Petitioner and continue to receive supply of electricity from the Petitioner generating plant subject to the back down of generator if it is ordered on account of the system constraints subject to the result of this petition, Respondent shall pay the

				<p>electricity charges at the rate of Rs.2.80ps per KW hour and the petitioner is entitled for the higher cost. Respondent shall pay the same. Two weeks time is granted to file counter. The petitioner has filed I.A. to the Hon'ble High court to receive the KERC (Power Procurement from renewable sources) i.e., Annexure Z-8 and the order dated 18-1-05 passed in S/03/1/682 as Annexure Z-9 passed by the Commission.</p>
31	WP No.37302-37307/2004 (GM-KEB)	Shri K.Nagaraj, Challakere & 5 others Vs. AEE (Ele.), Challakere & other	Not to disconnect the power supply	Copy of petition and vakalath sent to Dua Associates on 5.10.2004.
32	MFA No.7220/02 & MFA No.5588/03	Bharatiya Kisan Sangha, U.K. & another Vs. KERC & others	Set aside the Tariff Order 2002 & 2003	Vakalath sent to Dua Associates on 11.1.2005.
33	WP NO.51447/2004 (GM-KEB) & 483/2005	Shri Veerabhadreshwara Electricals & another	Quashing Annex. G dated 26.11.04.	Vakalath, Copies of notice, Interim order and petition sent to Dua Associates on 31.1.2005. The Hon'ble High Court in its order dated 7.1.2005 has granted interim order for a period of four weeks and further extended by another two weeks vide dated 4.1.2005. The Hon'ble High Court in its order-dated 3.3.2005 has extended interim order for four weeks from 17.2.2005. The Hon'ble High Court has granted the interim orders dated 7-1-05, 4-2-05, 17-2-05 & 3-3-05. The Hon'ble High Court in its order dated 21-3-05 has granted earlier interim order is confined to Annexure - G which is

				impugned in the Writ Petition and consequential award of contracts in favour of Respondent No. 5 pertaining to Annexure 'C'.
34	MFA No.4257/03	KPCL Vs. KERC & another	Set aside Para No.7.8 of the Commission's Order dated 10.4.03	Vakalath along with copy of the petition with enclosures sent to Shri B.N. Prakash, Advocate on 18.2.2005.
35	WP No. 3224-3226/05 (GM-KEB)	Shri R. Nagaraja Shetty & others	Quash and Struck down regulations framed by the Respondent called KERC (Recovery of Expd. for supply of Electricity) Regulations 2004.	Vakalath along with copy of the petition with enclosures sent to Dua Associates on 9.3.2005.
36	WP No.50393/04 (GM-KEB)	Asst. Executive Engineer (Ele.), O&M Div., KPTCL, Karwar	To Quash and Stay of Annex. E dt. 12.2.2002 passed by CEIG.	Vakalath along with copy of the petition with enclosures sent to Dua Associates on 9.3.2005.
37	WP No.4276/2005 (GM-KEB)	Smt.A.B.Hemavathi, Vs. MESCOM & others	To give appropriate job.	Vakalath along with copy of the petition with enclosures sent to Dua Associates on 16.3.2005.
38	WP No.50384-50388 /04 (GM-KEB)	The AEE (EI), KPTCL, O&M, GADAG.	Quash & Stay of Annexure A & C.	Vakalath along with copy of the petition with enclosures sent to Dua Associates on 25.3.2005.
39	W.P. No: 11757-05	Dr. Devika of Vidhyanagar, Hubli & others Vs. KERC & others	Provide Power Supply.	Vakalath, copies of the Notice, Interim Order and petition sent to Dua Associates on 29.4.2005. Case is pending.
40	W.P. No: 11931-05	Food world Super Market Vs. State & Others	Not effect the disconnection.	Vakalath, copies of the Notice, Interim Order and petition sent to Dua Associates on 29.4.2005. Case is pending.
41	W.P. No: 10167-05	Raymond Vijay Soans Vs. Bescom & Others	Give Power Supply.	Vakalath, copies of the Notice, and petition sent to Dua Associates on 29.4.2005. Case is pending.
42	W.P. No: 12408-05	Mr. Narasimha Nayak, Vs. MD,	Refund of amount	Vakalath, copies of the Notice, and petition sent to

	GM- KPTCL	Mescom & others.		Dua Associates on 4.5.2005. Case is pending.
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ANNEXE 3.1**PROCEEDINGS OF THE 11TH MEETING OF COMMISSION ADVISORY
COMMITTEE HELD ON 18TH JANUARY 2005**

Members Present:

List of Members present, Members absent (with Notice/leave of absence) and Members absent (without notice) are as given in the Annex

Sri Raghavendra Raju extended welcome to the new Chairman, KERC and to the Members and Secretary of KERC. The Chairman, KERC welcomed the Members to the meeting. Since this is the first meeting after the Advisory Committee is re-constituted, the Members were requested to introduce themselves.

The minutes of the previous meeting of the Advisory Committee were confirmed.

11.1 The Chairman informed that Sri S.D. Ukkali, Member of the Commission would make a presentation on the subject of "Sustainable Electricity Supply to Rural Areas". The Member made the presentation. The main points of the presentation are as follows:

1. Due to extensive electrification programme of villages, energisation of IP sets as well as rapid industrialization around the year 1975, there was shortage of electricity. In order to mitigate the problem of shortage, a number of steps were taken by the GoI and the GoK such as inviting IPPS to set up generating plants, taking up energy conservation measures, reduction of losses etc.
2. Due to the skewed tariff structure, non-recovery of dues from rural areas etc, the financial position of the Electricity Boards

deteriorated, causing deterioration in the quality of supply of electricity supplied by the Boards

3. Steps that are needed for a sustainable supply of electricity to the rural areas are a judicious use of grid power as well as stand alone systems for remote areas, efficient use of the pump sets by using high efficiency pump sets and delivery system, using improved farming techniques such as using drip irrigation, electricity conservation and efficient water resource management.
4. Further, depending on the category of talukas or watershed areas, schemes are to be prepared such that in over exploited areas, water intensive crops should not be allowed to be irrigated. Only in the safe areas water intensive crops should be allowed to be irrigated. Co-generation plants are to be encouraged particularly in cane growing areas.
5. The GoK has recognized the water - electricity nexus and has sponsored Participatory Rural Energy Services in Karnataka (PRESK). It focussed on inter-related problems of poor power quality and supply, rural sector subsidy, water resources and farming practices. A pilot project in four talukas has been taken up.
6. The presentation was concluded by giving the following important suggestions:
 - a. The entire state has to be divided into talukas or units based on the ground water availability
 - b. In the dark areas, irrigation using only rainwater is to be allowed. Stand alone schemes and RLMS schemes are to be encouraged in such areas
 - c. In white areas, use of distributed generation involving the generator is to be encouraged. Co-generation plants are also to be encouraged to take up distribution in cane growing areas. Farmers who use the grid power are to be charged higher tariff.

- d. Committees involving all stakeholders and Effective Management Units (EMU) to be formed.
- e. Study of ground water availability should be conducted more frequently.
- f. All the departments such as Irrigation, Horticulture, Mines and Geology and Energy Department should together with Department of RDPR frame policies regarding cropping pattern to be followed, water requirement, availability, requirement of electricity - requirement through grid and requirement through stand alone systems and distributed generation, energy conservation measures to be adopted. The above requirements have to be worked out in detail as a Master Plan for time bound implementation.

- 11.2 In the course of the presentation the following issues were raised.
- 11.3 Secretary, Dept. of Food and Civil Supplies stated that only 30% of the rural consumers are unable to pay the electricity charges, another 30% are just able to pay the charges and the balance 40% can easily afford to pay the normal tariffs. Hence he felt that suitable distinction should be made in this regard while fixing the tariffs. He also stated that tariff should be linked to the quality and continuity of supply and those who pay full charges should also get better facilities and in addition, some kind of incentives. He further suggested that the amount collected in each village should be reserved for that area to carry out improvements in that particular area, which would act as an incentive and consumers would readily come forward to pay the electricity charges.
- 11.4 Shri Ravi Ganapathy felt that losses due to the inefficiencies of the ESCOMs are being passed on in the guise of assessed IP set consumption. He felt that the assessment of IP set consumption is not being done scientifically and the figures now being furnished appeared to be very exaggerated as he has been involved in the studies conducted in this regard and he had reliable figures. He

further added that the MESCOM officers have failed to assess the distribution loss figures even at 11 KV feeder levels.

- 11.5 Shri Chandrashekar stated that instead of energizing IP sets indiscriminately, Lift Irrigation schemes should be encouraged. Lift irrigation Schemes are more efficient since pumping of surface water is cheaper than pumping the ground water. Adding large number of IP sets will also deplete ground water sources. He requested the Commission to take up review the status of implementation of pending LI schemes. He further added that in order to promote local distribution, policy guidelines should be evolved, which will go a long way.
- 11.6 Sri Venkatagiri Rao stated that assessment of IP consumption is not scientific and T&D losses are being included in the IP consumption to cover up the inefficiencies of the system. He pointed out that arrears of IP sets up to 31.3.03 have been waived off by the Govt which discourages the paying consumers and may affect future recoveries also. He also suggested that subsidy should be given to needy farmers.
- 11.7 Shri Shankarikoppa stated that farmers are not opposed to making payment towards electricity charges, but will do so only on the condition of assured quality and assured hours of supply. He therefore requested not to treat IP set consumers as second-class consumers, but to treat them on par with other consumers as the utilities are compensated in the form of subsidies by the government. He also contended that the tariff for IP sets should depend upon cost based remunerative price offered to the farmers for the agriculture produce and that these issues are closely interlinked and cannot be looked at in isolation. He also referred to the Seminar of Farmers conducted by KERC earlier and the forwardal of the recommendations to the Govt in this regard.
- 11.8 Chairman KERC stated that unless all the IP sets are metered and consumption is accounted for, there is no way of correctly assessing

the IP consumption and distribution loss figures. The assessed figures are bound to be debated endlessly. He further added that he failed to appreciate as to why the farmers are opposing the metering of the IP sets when separate tariffs have been determined by the Commission for the metered and non-metered category of IP sets. In the case of metered category, the bill on actual consumption basis could be less when compared to flat rate tariff, if the actual consumption is less as contended by the farmers. He also brought to the notice of the members that GoK has also clarified that in the case of metered category of IP sets, the charges will be based on units consumed or on HP basis, whichever is less. He felt that the farmers have not been enlightened in this regard.

- 11.9 MD KPTCL stated that enough publicity has been given in this regard in press, media etc. In spite of this, the farmers have an apprehension that once the IP sets are metered the rates will be enhanced and they will be charged based on the actual consumption. He also stated that involvement of local leaders in rural areas is a must for successful implementation of metering programme.
- 11.10 Chairman/KERC stated that there is a general consensus amongst all the members of the Advisory Committee that all IP sets should be metered for accurate measurement of IP consumption and the losses and further that the issue of payment of bills need not be linked with the issue of fixation of meters to IP sets for the present. He requested KPTCL/ESCOMs to give wide publicity once again and educate the farmers in the matter to encourage metering of IP sets.
- 11.11 The next subject on the Agenda viz., Regulations formulated and issued by the Commission under the Electricity Act 2003 was taken up for discussion.
- 11.12 Chairman KERC stated that the Commission has so far formulated and notified 15 regulations. The Members desired to know the status of implementation of these regulations by KPTCL and the ESCOMs.

Several Members felt that except for BESCOM none of the other ESCOMs have taken any action to give wide publicity to these regulations or to take necessary action in implementing the same. Sri Venkatagiri Rao also pointed out that, implementation of directives issued by the Commission in various Tariff Orders are equally important and much progress has not been achieved in this regard. He stated that from the consumers point of view, Standards of Performance, Grievance Redressal and Complaints Handling Procedure Regulations are very important and except BESCOM other ESCOMs are yet to take action for implementation of these Regulations and that MESCOM has not responded to his letters also. A few Members felt that the penalties to be paid to the consumers for failure to meet the Standards of Performance should be collected from the concerned officers who have failed to perform as per the prescribed standards instead of from the concerned ESCOMs. If the penalties are charged to the ESCOMs it is bound to be included in their expenditure account and subsequently be passed on to the consumers. It was clarified that expenditures such as payment of penalties etc are kept under separate accounts and are not allowed to be passed on to the consumers.

- 11.13 Sri M.G.Prabhakar, FKCCI brought to the notice of the Committee that the Commission's order on rectification of a specific brand of tri-vector meters regarding error in PF has not been carried out by ESCOMs so far even after several years. He also pointed out that maintenance works are taken up by ESCOMs without sufficient advance notice affecting the functioning of the industries He expressed that implementation of the Orders of the Commission as well as Codes and Regulations are very important in order to improve the quality of service provided by the ESCOMs.
- 11.14 The Commission urged the ESCOMs to take necessary action to implement all the provisions of the regulations in a time bound manner. The Commission further stated that the regulations shall be

implemented and during the course of implementing the regulations, if there are any genuine difficulties, the ESCOMs may represent the matter to the Commission with full details and the Commission would further examine the matter.

- 11.15 The next item on the Agenda viz., review of electrical accidents was taken up for the discussion. The Chairman expressed concern that the number of accidents is showing an increasing tendency. He felt that the ESCOMs are not doing enough in taking up preventive measures. Sri Chandrashekar pointed out that the number of non-departmental persons involved in the accident is very high and there is an urgent need to take preventive action and also to educate the consumers in this regard. Sri Govindappa stated that safety equipments are not only required to be provided to the departmental staff but it should be ensured that they are used and safety norms and procedures are always followed.
- 11.16 MD GESCOM stated that because of the non-availability of adequate funds they are not in a position to take any major action plan in this regard. He further narrated the action plan prepared for GESCOM for FY 05 as well as FY 06 for prevention of accidents and stated that the same would be implemented.
- 11.17 MD BESCOM stated that 600 feeders have been identified for carrying out improvement works for prevention of accidents as part of extension and improvement works.
- 11.18 The Chairman, KERC welcomed suggestions from the members and the following suggestions were received:
- a) Sri Venkatagiri Rao appreciated the functioning of the Consumer Advocacy Unit of KERC and requested to strengthen the same. He also requested to release the Kannada version of the Regulations issued by the Commission early.
 - b) A few members requested the Commission to visit the ESCOMs, which was readily agreed to.

- c) Sri A.S. Kulkarni requested Member-2 to repeat his presentation at HESCOM, which was agreed to by the Commission.
- d) Sri M.G.Prabhakar suggested rationalizing the tariff being paid by the manufacturing sector in order to promote the industrial sector stating that the same is very high at present. He also stated that the tariff for commercial category is very high and there is need to bring down the cross subsidies in a time frame as mandated in the Act.

11.19 The Chairman thanked all the participants for their active participation and concluded the meeting.

Sd/-

Chairman

Copy to all Members of the Committee with a covering letter.

Members Present

1.	Mr. K.S. Pandey	Chairman
2.	Mr. H.S. Subramanya	Member-1
3.	Mr. S.D. Ukkali	Member (Technical)
4.	Managing Director, KPTCL	Committee Member
5.	Managing Director, KPCL	Committee Member
6.	Mr. Ravi Ganapathi	Committee Member
7.	President, KEB Engineers Association	Committee Member
8.	Mr. M.G. Prabhakar	Committee Member
9.	Mr. K.N. Venkatagiri Rao	Committee Member
10.	Managing Director, Boruka Power Corporation Ltd	Committee Member
11.	Mr. Prakash Kashinatha Rao Patil	Committee Member
12.	Mr. Raghavendra Raju	Committee Member

13.	Secretary, Department of Food & Civil Supplies & Consumer Affairs	Committee Member
14.	Managing Director, BESCO	Committee Member
15.	Managing Director, GESCOM	Committee Member
16.	Mr. Shankarikoppa	Committee Member
17.	President KPTCL Employees Union	Committee Member
18.	Mr. A.S. Kulkarni	Committee Member
19.	Mr. Govindappa	Committee Member

1.	Mr. I.R. Perumal	Ex-Officio Secretary
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Members Absent (Without Notice)

1.	Director, Confederation of Indian Industry	Committee Member
2.	Mr. Amaranath Patil	Committee Member