

**N/33/2020**

**BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION**

**No.16C-1. Miller Tank Bed Area, Vasanthanagar  
BANGALORE – 560 052**

**Dated 19<sup>th</sup> October, 2020.**

**Present:**

- |                             |          |
|-----------------------------|----------|
| 1. Sri. Shambhu Dayal Meena | Chairman |
| 2. Sri H.M. Manjunatha      | Member   |
| 3. Sri M.D. Ravi            | Member   |

**In the matter of:**

**Implementation of the Order of the Hon'ble ATE dated 05.10.2020 in Appeal No.97/2020.**

**Preamble:**

1. Consequent on disposal of Civil Appeal No.5342/2008 filed by this Commission and Civil Appeal, 4726/2008, filed by the FKCCI by the Hon'ble Supreme Court of India vide its Order dated 11.04.2018, the order dated 09.05.2008 in Appeal No. 9/2008 passed by the Hon'ble Appellate Tribunal for Electricity was required to be implemented by this Commission.
2. In its Order dated 9.05.2008 in Appeal No.9/2008, among other things, the Hon'ble Tribunal had directed this Commission to rework the losses, power purchases quantum and costs and the quantum of sales and Revenue in order to arrive at the Annual Revenue Requirement with reference to the Audited Accounts. The Hon'ble Tribunal had also ordered the Commission to allow Tanir Bhavi power purchase cost of Rs.545.87 Crores along with carrying cost at 12%. In compliance of the said Order, the Commission had passed order dated 16.01.2020.



3. The KPTCL challenged the Commission's Order dated 16.01.2020 before the Hon'ble Tribunal in Appeal No.97 of 2020. After hearing the parties, the Hon'ble Tribunal has set aside the Commission's Order dated 16.01.2020 on reworking of ARR for the period from FY01 to FY06 in respect of KPTCL and has also set aside the surplus of Rs.314.47 Crores found out by this Commission during said exercise.
4. The Hon'ble Tribunal in its Order dated 09.05.2008 in Appeal No.9/2008 has in para-41 has ordered as under...

*"41... the findings of the Commission that there is surplus of Rs.738.23 Crores is set aside and therefore the amount of Rs.545.87 Crores, with carrying cost of 12% being the additional power purchase cost to be allowed for Tanir Bhavi, as per the earlier order, cannot be set to be adjusted in surplus and therefore KERC should allow the same in the tariff immediately without providing for any adjustment for FY2001-02 to 2005-06. In the result the appeal is allowed".*

5. The Hon'ble Tribunal, in its order dated 05.10.2020 In Appeal No.97/2020, has ordered to allow the additional power purchase cost of Rs.545.87 Crores in terms of judgement dated 09.05.2008 in Appeal No.9/2008. It is further ordered that full benefit of carrying cost on Tanir Bhavi claims as per order dated 19.10.2006 in Appeal. No.107/2006 has to be allowed.
6. The Hon'ble Tribunal in its Order dated 05.10.2020 in Appeal No.97/2020 has allowed the carrying cost on the additional power purchase cost of Tanir Bhavi Company of Rs.545.87 Crores as claimed by the KPTCL amounting to Rs.1111.20 Crores. Further in the said Order the Hon'ble Tribunal has ordered that in order to ensure that the pass through of the carrying cost allowed in favour of Appellant does not lead to tariff shock in the form of steep rise in the price of retail sale of electricity by the distribution companies to the consumers at large, and to soften its impact, the Appellant would be obliged to take measures for and the State Commission would be duty bound to oversee the creation of corresponding regulatory asset and the same being amortized over the next five years, for facilitating gradual increase of tariff, following the letter and spirit of judgement dated 19.10.2006 in Appeal No.107 of 2006.

*Chellappan*

### Creation of Regulatory Asset:

7. As per the directions of the Hon'ble Tribunal, the following amounts are required to be passed on in the tariff towards Tanir Bhavi power purchase claims along with 12% Carrying cost:

		Rs. In Crores
a.	Tanir Bhavi power purchase claims from FY02 to FY06	545.87
b.	Carrying cost @ 12% from FY02 to FY20	1,111.20
c.	Total amount to be passed on	1657.07
d.	Amortized amount of Regulatory Asset, to be recovered in each year over a period of next Five Years, at the rate of: (Rs. 1657.07 divided by 5 years)	331.414

As per the directions of the Hon'ble Tribunal, KPTCL shall create a regulatory asset for the above amount for being amortized over a period of next five years for facilitating gradual increase in tariff.

Further, as per the directions of the Hon'ble Tribunal, the Commission decides to consider the regulatory asset of Rs.1657.07 Crores and amortize it over a period of next five years at the rate of Rs.331.414 Crores per year. The Commission further decides to include the yearly amortized amount to the ARR of KPTCL, to be approved by the Commission over a period of next five years and allowed to be recovered in the retail supply tariff of consumers.

From the above narrated facts and in accordance with the directions issued by the Hon'ble Tribunal, vide its order dated 05.10.2020, in Appeal No.97/2020, the Commission hereby proceeds to pass the following...

### ORDER

In accordance with the judgement of the Hon'ble Tribunal dated 05.10.2020 in Appeal No. 97 of 2020, judgement dated 09.05.2008 in Appeal No.9/2008, read with Judgement dated 19.10.2006 in Appeal No.107/2006, the Commission hereby allows an amount of Rs.545.87 Crores towards additional power




purchase cost of Tanir Bhavi company and the carrying cost of Rs.1111.20 Crores on the said additional power purchase cost, for the purpose of computation of transmission tariff and recovery from the consumers in the retail supply tariff.

In compliance of the directions of the Hon'ble Tribunal, in its Order dated 5<sup>th</sup> October, 2020, in Appeal No. 97 of 2020 and in accordance with judgement dated 19.10.2006 in Appeal No.107/2006, KPTCL is directed to create a 'Regulatory Asset' for an amount of Rs.1657.07 Crores and amortize the same over a period of next five years for facilitating gradual increase in tariff. KPTCL shall include the amortized amount of Regulatory Asset of Rs.331.414 Crores per year in the ARR to be proposed during its annual tariff filing, over a period of five years.

The Commission hereby approves to include the yearly amortized amount of R.331.414 Crores towards Regulatory Asset along with the approved Annual Revenue Requirement for the relevant years, for the purpose of computation of transmission tariff and allow the same to be recovered from the consumers in retail supply tariff.

**This Order is signed and issued by the Karnataka Electricity Regulatory Commission on 19<sup>th</sup> day of October, 2020.**

  
(SHAMBHU DAYAL MEENA) (H.M.MANJUNATHA)  
CHAIRMAN 19/10/2020 MEMBER 19/10/2020

  
(M.D.RAVI) 19/10/2020  
MEMBER