

MESCOM

Preliminary Observations on the Applications filed by the MESCOM for APR for FY19 and approval of ARR & Retail Supply Tariff for FY21 under MYT Framework

1. MESCOM Capex

a) Capex for FY19:

- i. The Commission in the Tariff Order 2019, had directed MESCOM to maintain the physical as well as financial progress in respect of the works carried out under the Capex indicating timelines of completion, cost to benefit ratio, etc. and to furnish these details to the Commission as and when Commission directs. The Commission, during the course of Annual Performance Review for FY18, had directed MESCOM to submit the physical and financial progress of the said capex works for FY18 and details of sources of funding.
- ii. The Commission had directed MESCOM to take concrete measures to complete and capitalize the works within the prescribed time schedule, so that, its benefits are passed on to the consumers effectively and capitalize the works proposed as far as possible during each financial year.
- iii. The Commission had also directed the MESCOM to put in effective efforts towards achieving the following objectives of the proposed schemes under capex on a priority basis:
 1. Reducing distribution losses;
 2. Reducing the HT:LT Ratio;
 3. Reduce Transformer failures;
 4. Segregate the loads in the feeders;
 5. Reduce Power theft;

6. Taking up programs for the awareness among the people on usage and conservation of energy;
 7. Improve the sales to metered category to improve its cash flows;
 8. Improve the Power factor of the IP set loads by installing switched capacitors of suitable capacity to the secondary of the transformers.
- iv. The Commission notes that MESCOM has not furnished the above details and has not complied with the Commission's directives, till date. MESCOM shall submit to the Commission, the compliance on the above as per the directions given in the Tariff Order 2019.
 - v. As per the tariff application, MESCOM has incurred capex of Rs 839.17 Crores as against approved capex of Rs 763.50 Crores for FY19. The MESCOM shall submit the comparison of capital expenditure incurred with reference to the approved amounts under different items of capex for FY19 in the format approved by the Commission in the Tariff order 2018, with reasons for deviations, if any.
 - vi. MESCOM shall furnish comments on imprudent works and compliance to the observations and recommendations made, in respect of Final report on Prudence Check of Capital Expenditure incurred by MESCOM during FY17 and FY18, submitted by M/s RSA & Co, Kolkata, as directed in the Commission in its letter dated 23rd October 2019.

b) Capex proposal for FY21:

- i. As per the Tariff application MESCOM has proposed capex of 1091.44 Crores and Rs. 914.75 Crores FY20 and FY21 respectively. The MESCOM shall explain the rationale behind submitting the proposal for incurring higher amounts than the amounts already approved for the next control period. The Commission has approved capital expenditure of Rs 818.58 Crores, Rs 607.16 Crores and 521.89 Crores respectively for FY20, FY21 and FY22 respectively in terms of the MYT Regulations and MESCOM has to comply with the approval as per Tariff Order 2019.

- ii. It is also to be stated here that MESCOM has filed application for APR of FY19 and ARR for FY21. **Hence the question of revised capex for FY20 will not arise in these proceedings. Any excess or short spending of capex for FY20 will be suitably dealt with in the APR of FY20.**
- iii. MESCOM, while proposing capex of Rs. 1091.44 Crores for FY21, has proposed Rs.250 Crores, Rs 45 Crores and Rs.70 Crores towards E&I works, DTC metering and 33kV Station & Line works respectively. MESCOM shall submit the total capex incurred for the last three financial years (FY17, FY18 and FY19) in respect of E&I works, DTC metering and 33 kV station & line works and corresponding reduction in distribution losses, percentage of DTC metering and the energy audit done in respect of DTCs which are metered and the results thereof, so as to justify the proposed expenses for FY21.
- iv. MESCOM shall also submit physical progress as well as the financial progress, in respect of all the schemes taken up by MESCOM in the format annexed to these observations vide Annexure-1, 2 and 3.

2. Observations on Sales:

A. Sales- Other than IP sets:

i. Data inconsistency

1. At page 21 & 22, the category-wise actual sales for some of the categories indicated for FY18 in the present filing is not the actuals considered in the approved APR for FY18 by the Commission, in the Tariff Order 2019 dated 30.05.2019. The figures shall be reconciled with that of Tariff Order,2019.
2. In D-2 format for FY19, the number of HT 2(a) installations as approved should be 905 and not 904 as indicated.
3. The actual HT-2a number of installations in D2 format for FY19 is indicated as 890 numbers, whereas at page 66 in the Table, it is indicated as 891 numbers. The actual number of HT-2a installations for FY19 shall be reconciled.

4. At page 66, the total number of HT-installations should be 2276 and not 2275. This shall be rectified.
5. The revised HT-2a number of installations in D2 format for FY21 is indicated as 1012 numbers, whereas at page 67 in the Table, it is indicated as 1013 numbers. MESCOM shall reconcile the figures.
6. At Page 68, the actual BJ/KJ sales for FY19, approved & revised sales for 20, for less than 40 units and more than 40units/month is interchanged. Similar mistake is noticed for FY21 at page 69 and also in the number of installations indicated at page 66 & 68. This shall be rectified.
7. MESCOM, in D-2 format has considered total sales of 5596.19 MU, whereas in D-21 format the total sales are indicated as 5593.31 MU. The sales to KPCL of 2.88 MU, which was included in LT-2a category last year, is left out. MESCOM shall reconcile the same.

II. Annual Performance Review for FY19:

- a. The Commission in its Tariff Order 2018, dated 14.05.2018, had approved total sales to various consumer categories at 4729.22 MU, as against the MESCOM's proposal of 5022.23 MU, excluding the sales of 45.32 MU to MSEZ and 5.89 MU to KPCL. The Actual sales of MESCOM, as per the current APR filing [D-2 FORMAT], is 4912.06 MU indicating an increase in sales to an extent of 182.84 MU, as compared with the approved sales. There is increase in sales of 176.09 MU in LT-categories and a marginal increase of 6.75 MU in HT-categories. It is noted that, as against approved sales [excluding KPCL sales and supply to SEZ] of 3314.91 MU to the categories other than the BJ/KJ and IP sets, the actual sales achieved by MESCOM is 3243.87 MU, resulting in the reduction of sales to these categories by 71.04 MU. Further, MESCOM has sold 1668.19 MU to BJ/KJ and IP set consumers as against approved sales of 1414.31 MU resulting in increased sales to these categories by 253.88 MU.
- b. The category-wise sales approved by Commission and the actuals for FY 19 are indicated in the table below:

Energy In MU			
Category	Approved**	Actuals**	Difference (MU)
Col-1	Energy in MU Col-2	Energy in MU Col-3	Col-4=Col 3–Col 2
LT-2a*	1421.06	1374.06	-47.00
LT-2b	14.80	13.62	-1.18
LT-3	375.73	370.30	-5.43
LT-4b	1.81	0.85	-0.96
LT-4c	9.69	6.91	-2.78
LT-5	143.13	133.95	-9.18
LT-6	131.39	123.02	-8.37
LT-6	73.72	69.82	-3.90
LT-7	19.40	20.41	1.01
HT-1	90.54	97.81	7.27
HT-2a	616.09	624.76	8.67
HT-2b	198.66	200.43	1.77
HT-2c	172.35	144.58	-27.77
HT-3a & b	19.93	41.20	21.27
HT-4	21.11	20.42	-0.69
HT-5	5.50	1.73	-3.77
Sub total	3314.91	3243.87	0.00
BJ/KJ	33.23	37.29	4.06
IP	1381.08	1630.90	249.82
Sub total	1414.31	1668.19	253.88
Grand total**	4729.22	4912.06	182.84

**Including BJ/KJ installations consuming more than 40 units/month*

***Excludes sale to KPCL and SEZ.*

From the above table it is noted that the major categories contributing to the reduction in sales with respect to the estimate are LT-2a & HT-2c and increase in sales is in IP –set consumption and HT-3 category. The IP set consumption is discussed separately, in the subsequent paragraphs.

The MESCOM, has compared the sales of FY19 with respect to FY18 sales in most of the cases and has not compared with the sales estimates

approved by the Commission. Further, for LT-2a, HT-1, HT-2a, HT2b and HT-2c, no analysis is furnished. **MESCOM shall provide analysis for the above categories explaining the reasons for variations, if any.**

Regarding LT-2a and LT-2c, the MESCOM shall explain the reasons for reduction in sales.

- c. The Commission, in its Tariff Order had considered wheeled energy at 81.21 MU for FY19. MESCOM in its D-2 Format of the filing, has not indicated any wheeled energy for FY19 as per the actuals. **MESCOM shall furnish the same for the purpose of computation of distribution network losses.**

III. **Category-wise sales FY21:**

MESCOM in its filing has stated that the Commission in its Tariff Order,2019 has approved the number of installations and energy sales for the Control Period FY20 to FY22. However, considering the actuals of FY19, MESCOM has revised the estimates for FY20 and FY21.

MESCOM has adopted the following methodology for making estimates of Number of installations and Energy Sales:

For all categories except BJ/KJ, LT-4a, LT-7 and HT-5, generally MESCOM has considered the CAGR for the period FY15 to FY19 or for the period FY17 to FY19. MESCOM has also compared the previous year growth rates. Wherever, the growth is negative or inconsistent, MESCOM has suitably modified the estimates.

i. The observations of the Commission on sales forecast for FY21 are as follows:

- i) LT (1) – BJ/KJ category: MESCOM has not considered any additions to the number of installations and has retained the FY19 data for both FY20 & FY21. **In FY19, the installations have reduced by 3158 numbers in comparison to FY18 and upto September 2019, there is a further reduction by 835 numbers. Hence, MESCOM may consider revising the number of installations and sales for this category.**

ii) LT 2(b) & LT 4(c) categories: MESCOM has retained the number of installations as on September, 2019 for both the years FY20 & FY21, and the sales is worked out on prorata basis of half-year consumption of FY20, stating that energy sales are reducing in these categories.

The Commission notes that, there is a positive growth rate in the number of installations and hence, MESCOM should have considered the same for estimating the number of installations. Further, sales could be projected based on the specific consumption of FY19.

iii) In case of LT-5 category, MESCOM has retained the energy sales at FY19 level, even though there is positive growth in number of installations, stating that the energy sales have a negative growth. **MESCOM shall analyze the reasons for such decrease in sales in spite of growth in installations.**

iv) HT-2c category:

The Commission notes that, even though there is a positive growth rate in the number of installations, the energy sales is retained at FY19 level, stating that the energy sales have a negative growth. **MESCOM shall analyze the reasons for such decrease in sales in spite of growth in installations.**

v) The table indicating the growth rates for the number of installations is furnished below:

Category	Percentage Growth Rates			
	2013-14 to 2018-19 CAGR	2015-16 to 2018-19 CAGR	FY19 growth over FY18	Growth rate proposed by MESCOM for FY21
LT-2a	3.23%	3.24%	3.83%	3.21%
LT-2b	3.14%	3.06%	1.44%	0.00%
LT-3	4.02%	3.77%	3.80%	3.66%
LT-5	5.20%	3.82%	4.01%	4.05%
LT-6 WS	6.20%	6.81%	3.57%	6.07%
LT-6 SL	6.70%	7.79%	3.67%	4.83%
HT-1	10.90%	10.06%	4.00%	8.85%
HT-2 (a)	7.39%	7.07%	7.62%	6.53%
HT-2 (b)	7.12%	8.40%	6.06%	8.39%

HT-2 (c)	7.65%	5.31%	5.42%	5.21%
HT-4	3.64%	6.14%	0.00%	0.00%

It is noted that:

The growth rate considered for LT-2b, LT-3, LT-6 SL, HT-1, HT-2a & HT-4 is lower, as compared to the CAGR. MESCOM may consider revising the same.

vi) The table indicating the growth rates for the energy sales is furnished below:

Category	Percentage Growth Rates			
	2013-14 to 2018-19 CAGR	2015-16 to 2018-19 CAGR	FY19 growth over FY18	Growth rate proposed by MESCOM for FY21
LT-2a	3.82%	2.50%	1.74%	2.66%
LT-2b	4.92%	-0.15%	-1.23%	0.00%
LT-3	5.68%	3.93%	2.11%	4.00%
LT-5	0.78%	-0.38%	-2.15%	0.00%
LT-6 WS	4.15%	3.20%	3.53%	1.03%
LT-6 SL	4.05%	2.96%	2.62%	0.31%
HT-1	4.58%	4.79%	8.03%	6.39%
HT-2 (a)	-1.87%	2.13%	4.78%	4.78%
HT-2 (b)	4.21%	3.64%	3.76%	3.79%
HT-2(c)	6.19%	-2.30%	5.48%	0.00%
HT-4	7.43%	6.51%	6.97%	4.14%

a. **The growth rate considered for LT-6 WS, LT-6 SL & HT-4 appears to be lower, considering the CAGR and, the growth rate considered for HT-1 & HT-2a appears to be higher, considering the CAGR.** MESCOM may consider revising the same.

IV. Validation of Sales:

To validate the sales, category wise information in the following format shall be furnished:

a. No. of Installations

Category	2017-18 Actuals		2018-19 Actuals		2019-20	
	As on 30 th Nov 2017	As on 31 st March 2018	As on 30 th Nov 2018	As on 31 st March 2019	As on 30 th Nov 2019	As on 31 st March 2020 (Estimate)
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6						
LT-6						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)& (b)						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP)						
BJ/KJ<=40units/month						
BJ/kJ > 40 units/month.						
IP sets-LT-4a						
Sub Total (BJ/KJ and IP)						
Grand Total						

b. Energy Sales: (in MU)

Category	2017-18 Actuals	2018-19 Actuals	2019-20
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	1st April 2017 to 30th Nov 2017 (cumulative)	1st Dec 2017 to 31st March 2018 (cumulative)	1st April 2018 to 30th Nov 2018 (cumulative)	1st Dec 2018 to 31st March 2019 (cumulative)	1st April 2019 to 30th Nov 2019 (cumulative actuals)	1st Dec 2019 to 31st March 2020 (cumulative Estimate)
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6						
LT-6						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)& (b)						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP sets)						
BJ/KJ<=40unit s/month						
BJ/kJ > 40 units/month.						
IP sets LT 4a						
Sub Total (BJ/KJ and IP sets)						
Grand Total						

c. Sales to MSEZ:

MESCOM has considered sales to MSEZ as 41.94 MU for both the years FY20 and FY21, whereas MSEZ in their filing have indicated the same as follows:

FY20	FY21
53.44 MU	57.89 MU

MESCOM shall reconcile the above data.

B. Sales to IP sets:

1. Sales for FY19:

- a. The Commission, in the APR for FY18, vide its tariff order 2019 has approved the total sales to IP sets as 1517.47 MU with a specific consumption of 5082.10 unit per IP set per annum for FY18. MESCOM in its current filing has indicated the sales to IP sets as 1630.90 MU for FY19 with a specific consumption of 5,159 units per IP set per annum. The Commission notes that there is an increase in the specific consumption by 76.9 units per IP set per annum for FY19 as compared to FY18 actuals. The reasons for this increase in the specific consumption for FY19 needs to be explained.
- b. The details of sales to IP sets for FY19 as approved by the Commission in its tariff order 2018 and the actual sales as furnished by MESCOM in its Tariff Filing for FY21 are as follows;

Particulars	As approved by the Commission	As submitted by MESCOM
Number of installations	3,17,045	3,26,187
Mid-year number of installations	3,10,566	3,16,120
Specific consumption in units / installation / annum in units	4,447	5,159
Sales in MU	1,381.08	1,630.90

- c. MESCOM has to furnish the reasons for, increase in specific consumption by 712 units / installation / annum and the increase in sales by 249.82 MU when compared to the approved figures.
- d. As per the month-wise data submitted by MESCOM in the Commission's prescribed format, the total sales to IP sets is stated to be 1631.16 MU, whereas in the accounts and filing it is 1630.90 MU, with a difference of 0.26 MU. MESCOM is requested to furnish the reasons for this variance.
- e. Though MESCOM has submitted that, it has carried out the Energy Audit of 241 urban feeders and 575 number of rural feeders during the first

quarter of FY20, instead of considering the actual losses incurred in the feeders, MESCOM has considered 7.0% distribution loss uniformly across all the agricultural DTCs. Reasons for the same need to be furnished.

- f. As per the data of GPS survey furnished by MESCOM, number of IP installations as on March 2019 as per DCB are 3,26,187 and the number of IP installations surveyed as on 31.03.2019 are as follows;

Number of authorised IP sets surveyed	-	2,69,349
Authorised working IP sets	-	2,50,858
Authorised Not in use / dried up IP sets	-	17,323
Authorised deleted IP sets	-	1,168
Number of un-authorised IP sets surveyed	-	1,17,255
Un-authorised working IP sets	-	92,407
Un-authorised Not in use / dried up IP sets	-	22,249
Un-authorised deleted IP sets	-	2,599
Total number of IP sets surveyed	-	3,86,604

- g. As per DCB, the number of live installations is 3,26,187, whereas, as per GPS survey, the authorized, live installations is only 2,50,858. MESCOM has to furnish the reasons on the variation in number of figures.
- h. While submitting the details of assessment of IP sets, it is stated that 39,572 (17,323 + 22,249) are not in use / dried up, but still are considered for assessment for the reason that, they are seasonal. MESCOM has to clearly indicate whether they are functional or not.
- i. MESOCM has stated that there are 3,767 (1,168 + 2,599) IP sets deleted in GPS survey data. MESCOM shall confirm as to whether it has considered the deleted number of IP sets, while furnishing the assessment of IP sets consumption.
- j. MESCOM has to furnish the reasons for the difference in number of consumers in the data as per GPS survey and the IP set assessment data, the action

taken to reconcile the details of number of consumers with DCB figures and the action taken to regularize the unauthorized IP installations.

- k. Summary of the data on assessment of consumption of IP sets, as per the submissions made by MESCOM is as follows;

Sl. No	Month	No of Pilot DTCs	No of Meters working in Pilot DTCs	No. of IP sets in the Pilot DTCs	Consumption by IP sets in Working Pilot Ips	Average Consumption Units / IP / month	Total IP sets as per DCB	Total Consumption by IP sets MU	No of DTCs where consumption is >850 units	No of DTCs where consumption is <250 units	Highest Consumption Units / IP / Month	Lowest Consumption Units / IP / Month
1	Apr-18	904	730	7835	4435439.51	615.76	307619	189.42	199	220	8381	50
2	May-18	904	589	6125	3564704.74	530.94	309185	164.16	175	156	5816	51
3	Jun-18	904	596	6172	2180023.55	313.26	310545	97.28	56	266	7302	52
4	Jul-18	904	487	5108	1147557.24	178.43	311966	55.66	14	352	7204	52
5	Aug-18	904	501	5198	1313901.57	186.79	313289	58.52	35	330	3892	25
6	Sep-18	904	491	5039	1580327.91	250.73	314576	78.87	48	285	3075	51
7	Oct-18	904	559	5929	2475107.72	343.90	316246	108.76	94	270	8023	50
8	Nov-18	904	586	6067	2135195.83	336.06	317142	106.58	80	308	5233	44
9	Dec-18	904	599	6269	3001350.21	470.85	318321	149.88	136	232	12074	6
10	Jan-19	904	654	7109	4523494.46	534.23	320333	171.13	203	166	10022	50
11	Feb-19	904	693	7463	6166323.13	686.25	322421	221.26	273	173	11279	50
12	Mar-19	904	778	8588	6807343.02	704.01	326187	229.64	296	191	6036	42
Total							1631.16					

- l. From the above data it can be seen that;

- a. There are 904 pilot DTCs identified by MESCOM for assessment of IP sets in its jurisdiction. Whereas, the data available for each month is only between 778 to 491 i.e., 86% in March 2019 to 54% in September 2019. Directions were issued

in the Tariff Order 2019 to set right the meters of such DTCs. MESCOM has to furnish the reasons as to why no action is taken to set right the meters of the pilot DTCs.

- b. As per the actual IP consumption data for FY19, the average consumption per IP per month should have been 429.92. From the above table, the DTCs where the average consumption is more than 850 units per month per IP and more than the approved value is varying from 14 in the month of July 2018 (monsoon) to 296 in the month of March 2019 (summer).
- c. The DTCs where the average consumption is less than 250 units per month per IP set and less than the approved value is varying from 156 in the month of May 2018 to 352 in the month of July 2019.
- d. The highest consumption assessed is of the order of **12,074 units per IP per month** in the month of December 2018 and the lowest consumption assessed is of the order of **6 units per IP per month** in the same month. Reasons for abnormal and subnormal consumptions recorded throughout shall be explained.
- e. MESCOM has to furnish the Division wise number of hours of supply provided to IP sets as against the Government of Karnataka Orders for FY19 and up to September 2019.

Based on the above observations, MESCOM shall submit the IP assessed consumption for FY19, duly furnishing clarity on the data.

2. Projected sales to IP Sets for the FY21:

- a. Details of the number of consumers as per actuals added to the system during the period April 2019 to September 2019 is not considered for projection of IP sales for FY21. Instead it has considered the CAGR based increase percentage and has projected the number of installations for rest of FY20 and for FY21.
- b. The reasons for difference in number of installations approved by the Commission for FY21, in Tariff Order 2019 and the projections considered in Tariff Filing by MESCOM is not substantiated with proper reasons.

- c. **The MESCOM, in its tariff application for FY21 has considered total consumption as 992.40 MU of IP sets for the period April to September 2019 without furnishing the month-wise break-up, as per the prescribed formats, in support of its claim. If the data for the said period is not submitted, the Commission will not accept the assessment of consumption for FY21, as submitted by MESCOM.**
- d. The consumption of IP sets for the same period in the previous year was 661.37 MU. A substantial increase in consumption of 331.03 MU is observed. Reasons for such substantial increase may be furnished.

In its Tariff Filing for FY21 it is informed that, MESCOM is expecting approval from the Energy Department to assign RR Nos to the un-authorized IP sets identified during GPS survey and has added 92,407 un-authorized IP sets for projection. MESCOM has to submit the approval of Energy Department for considering the un-authorized IP sets for projection of sales to IP sets.

3. MESCOM Power Purchase:

a) APR FY19:

1. As per Format D-1 MESCOM has furnished details of power purchases from different sources. In this regard MESCOM shall clarify as to whether share of power purchase for FY19, is as per the Orders of the GoK vide No. EN 32 PSR 2018, Bangalore, dated:24.04.2018, wherein ESCOM-wise allocation of power is made. If not, the source-wise percentage of actual power purchase made during FY19 shall be furnished.
2. A separate statement showing the variable cost in the ascending order for the energy scheduled from different sources of power shall be furnished. Any deviation from the merit order scheduling may be explained.
3. MESCOM shall furnish the source-wise energy and cost variation statement as approved and as per actuals for FY19.
4. MESCOM, in D- Format, has indicated the actual capacity charges of Rs. 11.60 Crores paid to BTPS unit-3 and Rs.19.74 Crores paid to YTPS unit-1,

whereas the Commission had not approved any capacity charges for these stations in the Tariff Order for FY19. The Commission notes that there is supply of small quantum of energy of 7.90MU from BTPS unit-3 and 17.16MU from YTPS unit-1. The month-wise capacity utilization and the Computation of capacity charges for BTPS unit-3 and YTPS unit-1 shall be furnished along with necessary documents. Computation sheet for payment of capacity charges to BTPS unit-1&2, UPCL, Kudagi shall be furnished.

5. The Commission, in its Tariff Order dated 30th May,2019 has directed as follows:

"The Commission notes an abnormal contribution from the State towards payment of PGCIL transmission charges. Due to this there will be a substantial financial impact, resulting in an increase in the retail supply tariff to the end consumers. The Commission, therefore, directs ESCOMs/PCKL to take appropriate action immediately, to resolve the issues with the appropriate authorities regarding the PGCIL transmission tariff. Henceforth, ESCOMs/PCKL shall constitute a dedicated team, which studies the pros and cons of any methodologies/amendments proposed to PGCIL's Transmission tariff or in any such other relevant matters, and shall effectively communicate the same to the concerned authorities, at the draft stage itself. The Commission will not allow such tariff in future, if it considers that the ESCOMs/PCKL have not taken effective and prompt steps to ensure that the PGCIL's transmission tariff is fair and equitable to the State"

MESCOM shall furnish the details of action taken in the matter.

6. The Source-wise consolidated reconciliation statement for the energy for FY19 shall be furnished.
7. MESCOM, in its filing has indicated an amount of Rs 226.15 Crores towards the transmission charges paid to KPTCL, as against the approved transmission charges of Rs 224.37 Crores which is in excess. MESCOM shall furnish the reason for the excess payment to KPTCL toward the transmission charges and furnish the month-wise details for the demand raised and paid for FY19.
8. MESCOM has traded energy of 65.13MU to IEX at an average price of Rs.4.23 per unit. MESCOM shall furnish the month-wise details of the energy traded.
9. In respect of the following Hydro and thermal stations as indicated in the D-1 Format, the per unit total cost paid to the generators is on a higher/lower side as compared with the per unit cost paid by the BESCOM. The MESCOM

shall examine the reasons for the variance and recover excess payments, if any, from the generators, under intimation to the Commission, duly furnishing the reasons for the variance:

Particulars	BESCOM	MESCOM
Raichur Thermal Power Station-RTPS 1-7 (7x210)	3.46	3.35
Raichur Thermal Power Station-RTPS 8 (1x250)	3.34	3.20
Bellary Thermal Power Station-BTPS-1 (1x500)	3.87	3.90
Bellary Thermal Power Station-BTPS-2 (1x500)	3.61	3.58
Bellary Thermal Power Station-BTPS-3 (1x700)	3.51	2.96
YTPS	3.11	3.52
Udupi Power Corporation Limited-UPCL	3.71	3.87
Sharavathy Valley Projects (10x103.5 + 2x27.5)	0.55	0.42
MGHE (4x21 + 4x13.2)	0.76	0.79
Gerusoppa_Sharavathi Tail Race_STR (4x60)	1.05	1.64
Kali Valley Project_KVP (2x50 + 5x150 +1x135)	0.52	0.64
Varahi Valley Project_VVP (4x115 + 2x4.5)	1.00	1.32
Almatti Dam Power House_ADPH (1x15 + 5x55)	1.00	1.77
Bhadra Hydro_BHEP (1x2+2x12)+(1x7.2+1x6)	3.56	3.81
Kadra Power House)KPH (3x50)	1.40	2.09
Kodasalli Dam Power House-KDPH (3x40)	1.09	1.53
Ghataprabha Dam Power House-GDPH (2x16)	1.63	2.09
Shiva (4x4+6x3) & Shimsha (2x8.6)	0.85	1.13
Munirabad Power House (2x9 + 1x10)	0.68	0.73
Priyadarshini Jurala	7.15	14.45
Tunga Bhadra Dam Power House-TBHE	0.67	0.98

b) Power Purchase for FY21(ARR):

1. MESCOM, in its filing has not furnished any write up or explanation for the energy considered for FY21 as per D-1 Format.
2. A separate statement showing the variable cost in the ascending order from different sources of power shall be furnished.
3. MESCOM shall furnish the basis and the documents relied upon to consider the fixed cost and the variable cost in respect of BTPS unit-3, YTPS- units 1 &2.

4. MESCOM shall furnish the capacity and quantum of energy to be procured from RE projects for which it has executed the PPAs in the following format for FY21.

Sl. No	RE Sources	Commissioned Capacity in MW	Likely to be Commissioned Capacity in MW	Forecasted energy(in MU)	Total Cost Rs. Crs.	Remarks
1	Wind					
2	Hydro					
3	Co-gen					
4	Biomass					
5	Municipal Solid Waste					
6	Solar MW Projects					
7	Solar SRTPV Projects					

5. MESCOM shall also furnish the methodology for forecasting the RE energy for FY21.

4. Distribution Losses for FY19:

- a. MESCOM shall confirm whether the distribution loss of 10.52% for FY19 includes the Open Access and Wheeled Energy for FY19. If not, MESCOM shall submit the distribution loss percentage considering the quantum of Open Access and Wheeled Energy for FY19. Also, MESCOM shall submit the total quantum of Open Access and wheeled energy allowed/handled in MESCOM distribution network, for FY19.
- b. MESCOM, in its application filed for the approval of Annual Performance Review for FY19, has indicated 10.52% as the actual distribution losses for FY19 as against the approved distribution losses of 10.95%. MESCOM has projected the revised distribution losses at 10.50% and 10.47%, for FY20 and FY21 respectively, a meagre reduction of 0.02% over the actual distribution loss of 10.52% of FY19 and further 0.02% reduction over the projected losses of FY20.

Though MESCOM has achieved the distribution loss of 10.52% during FY19 as against the distribution loss of 11.32% for FY18 and has proposed a huge capex with the main objective to reduce the distribution losses and improve quality of power being supplied to its consumers, the revised distribution losses proposed by the MESCOM for FY20 and FY21 is not justifiable. MESCOM need to re-look on the issue and re-assess and submit the revised projected distribution losses for FY20 and FY21.

- c. MESCOM, in its filing, has indicated a transmission loss of 7.39% as against 3.161% claimed by KPTCL in its filing for FY19. MESCOM shall explain the reason for the substantial variance.

5. RPO Compliance:

MESCOM at page-40 has submitted the RPO compliance as per data furnished by SLDC. It is noted that the power purchase quantum excluding hydro is indicated as 3566.50 MU.

The energy purchased from Shimsha and Shiva shall be separately indicated (it is clubbed with Shivanasamuda project).

6. Wheeling Charges for FY21:

MESCOM has proposed wheeling charges of 41 paise/unit and 97 paise/unit for HT network and LT network, respectively. Further it is stated that proposed technical losses of 3.94% at HT level and 6.48% at LT level are applicable.

MESCOM furnishing analysis of losses incurred by them due to concessional wheeling and banking charges to RE sources, has requested to approve all the relevant charges applicable to OA/wheeling transactions for Non-RE sources to RE sources also. **The Commission notes that in the analysis, MESCOM has considered 100% PLF for both conventional and RE sources. MESCOM shall consider appropriate PLF for conventional & RE sources and rework out the impact.**

7. Cross-subsidy surcharge (CSS):

For FY21 MESCOM has proposed the following CSS stating that the same is computed based on Tariff policy, 2016, limiting it to 20% of average cost of supply:

Rs. per unit

Voltage level	HT-1	HT-2a	HT-2b	HT-2C	HT-3b	HT-4	HT-5
66kV & above	-	1.60	2.11	1.83	1.65	1.05	3.16
HT-33 kV	-	1.50	2.11	1.83	1.55	0.95	3.16
HT-11kV	-	1.29	2.11	1.83	1.34	0.74	3.16

MESCOM shall submit the CSS applicable to LT- categories also.

8. Observations on Revenue Expenditure/ Revenue

a. Operation and Maintenance Expenses:

MESCOM in its filings, has indicated the total O&M expenses at Rs. 558.38 Crores for FY19 as against the approved O&M expenditure of Rs. 491.33 Crores. This amount is consisting of Rs.59.14 Crores towards R&M expenses, Rs.392.40 Crores towards Employees cost and Rs.106.84 Crores towards A&G expenses, being the actual expenses, as per the audited accounts for FY19. The employees cost also includes the terminal benefits, which is considered as an additional employees cost towards the contribution to Pension & Gratuity (P&G) Trust of Rs.74.19 Crores.

The Commission, in its Tariff Order 2019, while undertaking the APR for FY18, has allowed the provisions made for the arrears of revision of pay scale to the employees from 01.04.2017 to 31.03.2018 for Rs.47.94 Crores as additional employees cost and Rs.21.78 Crores towards the additional contribution to P&G Trust on the arrears of pay revision on the basis of the audited accounts for FY18. MESCOM shall furnish the actual amount towards payment of arrears to its employees on account of pay revision for FY18 during FY19 and the additional contribution made to P&G Trust there on. Further, MESCOM shall furnish the actual employees cost incurred during FY19 by excluding the arrears of pay revision and contribution to P&G Trust thereon, for the FY18.

b. Terminal Benefits under O&M expenses:

MESCOM, as per Format D-6, has claimed Rs. 74.19 Crores, Rs. 99.80 Crores and Rs. 92.57 Crores towards Terminal Benefits for FY19, FY20 & FY21 respectively. MESCOM shall furnish the computations for claiming this amount with clear

bifurcation of the amounts between the employees recruited prior to 31.3.2006 and those employed after 31.3.2006.

c. Additional Employees cost:

MESCOM has proposed additional employees cost of Rs.13.19 Crores towards recruitment of 700 employees during FY21. The present status of recruitment of the proposed employment shall be furnished.

Further, while computing the O&M expenses, MESCOM has claimed an amount of Rs. 16.07 Crores towards additional contribution to P&G Trust for FY18 during FY20. MESCOM shall furnish the computation for the same along with the copy of journal entry passed to account the same in MESCOM's books of accounts.

d. Administration and General Expenses:

The MESCOM in its filing, in respect of APR for FY19, has claimed an amount of Rs.67.01 Crores towards Other professional charges and claimed Rs.74.09 Crores and Rs.81.92 Crores for FY20 and FY21 respectively. Further, MESCOM has also claimed Rs.11.24 Crores(actuals), Rs.12.43 Crores and Rs.13.74 Crores towards Conveyance and Vehicle Hire charges for FY19, FY20 and FY21 respectively. As per the provisions of MYT Regulations, the O&M expenses are controllable expenditure and every ESCOM need to control this expenditure by utilizing the available resources within its control in a prudent manner. MESCOM shall furnish the reasons for incurring huge expenditure under this head of account, along with breakup details for FY19, besides re-examining the amount proposed for FY21.

e. Fuel cost adjustment charges (FAC):

MESCOM, has claimed Rs.4.77 Crores as Fuel Cost Adjustment Charges (FAC) demanded from the consumers during FY19. MESCOM shall furnish the quarter-wise details of FAC demand raised vis-à-vis the FAC approved by the Commission for FY19.

f. Capital Loans / Working capital loans:

MESCOM, in its filing as per Annexure-1 (a), 1 (b) and 1 (c), has furnished the long term loans and short term loans / overdraft details for FY19 (actuals) and also for FY20 and FY21. In Annexure-1 (b) and 1 (c), the outstanding balance of short-term loans/ overdraft, as on 31.03.2019, has not been carried forward to FY20 and FY21 and both the opening and closing balances are shown as nil for both FY20 and FY21 and has computed the interest thereon. MESCOM shall re-examine the issue and furnish correct details.

g. Increase in Retail Supply Tariff proposed to HT-Industries:

MESCOM, in its filing in respect of revised ARR and retail supply tariff for FY21, has proposed revision of demand charges to HT installations from the existing rate of Rs. 210 per kVA per month to Rs. 260 per kVA up to 500kVA and Rs.310 per kVA for the next 500 kVA and Rs. 410 per kVA per month in respect of consumers of above 1000 kVA. MESCOM has proposed reduction in energy charges in respect of HT industries by 50 paise for consumption up to one lakh units and a reduction in energy charges by 45 paise per unit in respect of consumption above 1 lakh units. MESCOM has proposed increase in demand charges and energy charges which is not uniform among all the categories. MESCOM shall furnish the rationale and proper justification for proposing higher demand charges and reduction in energy charges particularly to HT Industrial category and proposing varying increase in demand and energy charges for all the other categories of consumers.

h. Tariff Subsidy to IP set installations for FY 21:

MESCOM, in its filing for FY21, has proposed an increase by 57 paise per unit (from Rs.5.51 per unit in FY20 to Rs. 6.08 per unit for FY21) in energy charges in respect of Irrigation Pump Sets up to 10 HP (LT4(a)) category and has proposed subsidy of Rs.1259.59 Crores payable by the Government of Karnataka, for FY21. **The**

Commission had approved subsidy of Rs.919.17 Crores for FY20. The increase in subsidy over FY20 works out to 37%, which is very high and abnormal. As these installations are covered under full tariff subsidy from the Government of Karnataka, MESCOM shall confirm as to whether the Government has given any commitment letter to meet the subsidy from budgetary provisions for FY21. If not, the basis on which MESCOM has proposed increase in the tariff to this category, needs to be furnished. In the absence of a commitment letter from the GoK, the Commission will not allow any abnormal increase in the tariff and consequent subsidy to IP set installations.

i. Demand, Collection and Balance (DCB) for FY19:

MESCOM shall furnish the demand, collection and balance statement in the format as annexed to the audited accounts for FY19.

1. observations on Directives of MESCOM:

Directive No	Directives Issued by the Commission	Observation made
1	Consumer interaction meeting at Subdivision level.	MESCOM is not furnishing the details every quarter in the format prescribed by the Commission in its Tariff Order 2019. MESCOM has to furnish the details of the CIM conducted in its jurisdiction in the format for FY19 and FY20 till September 2019.
2	Directive on preparation of energy bills on monthly basis by considering 15 minute's time block period	MESCOM shall furnish the month-wise details of number of open access consumers sourcing power from power exchange, open access units scheduled / consumed in MU and illegally banked energy, if any for FY19 along with the details of cost of inadvertently banked energy.
3	Directive on Energy Conservation	The MESCOM has not submitted the compliance regularly on the above directive. It has not informed on the action taken for promoting energy conservation by the use of EE appliances among the general public and action taken while servicing the installations with EE appliances, especially street lights. The MESCOM shall submit the compliance thereon.
4	Directive on implementation of Standards of Performance (SoP)	The MESCOM was directed to display the SoP parameters in all its O&M Subdivisions and O&M Sections. Also directed the MESCOM to carry out effective supervision over the functioning of field offices particularly in rendering of services to the consumers,

Directive No	Directives Issued by the Commission	Observation made
		<p>relating to restoration of supply of electricity and to submit the details of number of violations of SoP by officers, sub-division wise, month wise, amount of penalty levied on the officers and the amount paid to the consumers for any delay in service.</p> <p>Directed MESCOM to conduct awareness campaign at the Hobli levels for educating the public about the Standards of Performance prescribed by the Commission. MESCOM to conduct necessary orientation programme for all the field officers and the staff up to linemen to educate them on the SoP and the consequences of non – adherence to the SoP. Further, the Commission directed MESCOM to publish the "HAND BOOK" in Kannada on the SoP and arrange to distribute to all the staff and stakeholders and submit the quarterly progress.</p> <p>But the MESCOM is not submitting the compliance periodically. It is said to have published the hand book on SoP, but has not enclosed the copy for information of the Commission. MESCOM has not reported anything on the conduct of awareness campaigns in the Hobli levels for educating consumers. MESCOM shall submit the compliance regularly.</p>
5	Directive on use of safety gear by linemen	<p>MESCOM is not submitting the quarterly compliance report to the Commission.</p> <p>The MESCOM has submitted that it has provided safety gear to all Power men. MESCOM shall submit the details indicating the number of linemen who are provided with complete set of safety gear and the definite timeline by which all the remaining linemen will be provided with the complete set of safety gear including the additional tools proposed to be given.</p>
6	Directive on providing Timer Switches to Street lights by ESCOMs	<p>As per the statistics furnished for the ESCOMs Review Meeting it is said to be 365 number of SL installations are serviced during the 1st quarter of FY20, whereas only 117 number of SL installations are serviced with timer switches. From the above, it can be seen that, MESCOM is servicing the SL installations without the timer switches, in spite of the directives. The number of actual SL installations to the end of FY19 are 21621 as compared to 20856 installations as at the end of FY18, which means 765 installations were added during FY19, which have not been provided with the timer switches. MESCOM is</p>

Directive No	Directives Issued by the Commission	Observation made
		not insisting on the Municipal authorities to provide timer switches, while servicing the new SL installations. MESCOM shall explain the non-compliance of this directive.
7	Directive on Load shedding	<p>The MESCOM is not submitting to the Commission, its projections of availability and demand for power and any unavoidable load shedding for every succeeding month in the last week of the preceding month regularly. The MESCOM shall submit compliance on the same.</p> <p>The MESCOM shall submit compliance in this regard.</p>
8	Directive on establishing a 24X7 fully equipped centralized consumer service centers	<p>MESCOM was directed to reduce the consumer downtime to address the complaints. MESCOM is directed to report average time taken to attend to a complaint as at present and the efforts made to reduce the downtime further in future.</p> <p>The MESCOM shall furnish compliance in this regard. Comparison of the downtime analysis for FY18 and FY19 shall be furnished.</p>
9	Directives on Energy Audit	<p><u>Energy Audit of cities / towns</u></p> <p>MESCOM shall furnish details of feeder-wise energy audit along with the details of measures initiated to reduce loss levels wherever the same are above 15% up to September 2019.</p> <p><u>DTCs Energy Audit:</u></p> <p>The MESCOM has not furnished the details of energy audit conducted in respect of 30,506 DTCs, out of 44,914 DTCs for which meters are stated to have been fixed & remedial measures initiated to reduce losses in those DTCs and the timeline by which all the balance DTCs will be metered, and audited.</p> <p>The MESCOM is directed to comply with the directives of the Commission issued in all the previous Tariff Orders, in respect of energy audit of DTCs.</p>
10	Implementation of NJY	From the data furnished, the progress achieved in completion of the work in the past one year is very poor. MESCOM shall submit a stringent action plan for completion of work.

Directive No	Directives Issued by the Commission	Observation made
11	Directive on Implementation of Financial Management Framework	MESCOM has to submit the compliance in respect of implementation of Financial Management Framework, on quarterly basis regularly to the Commission.
12	Prevention of Electrical Accidents	As per the details furnished for the review meetings of the ESCOMs the balance number of hazardous locations to be rectified is 253. MESCOM is required to furnish the action plan for rectification of balance hazardous locations / installations identified in its distribution network. MESCOM has to furnish the summary of the analysis made on the reports submitted by Electrical Inspectorate for FY20 up to September 2019 and the action taken to prevent such accidents in future.

Annexure-1:

Physical and financial progress, in respect of the schemes taken up by MESCOM

Sl. No.	Name of the Scheme	Total No. of works	Total Cost of Scheme (Rs in Cores)	Funding mechanism for the scheme	Objectives of the Scheme	Scheduled date for completion of the scheme	No. of works completed till FY19*	Objectives achieved with figures	Total expenditure till FY19*	Balance no. of works to be completed**	Expected expenditure for completion of balance works**	Expected date of completion of balance works	Cost to Benefit Ratio
1	DDUGJY												
2	IPDS												
3	R-APDRP												
4	DAS												
5	Smart Grid												
6	Model Sub Division												
7	Model Village												
8	Any other schemes												

Annexure-2:

Year wise break up of no. of works completed and corresponding expenditure incurred from the first year of inception of the scheme to till FY19

Sl. No.	Name of the Scheme	1 st year (ex: FY10)		2 nd year (FY11)			10 th year (FY19)	
		No. of works completed	Expenditure incurred (Rs in Cr)	No. of works completed	Expenditure incurred (Rs in Cr)	No. of works completed	Expenditure incurred (Rs in Cr)	Total no. of works completed	Total expenditure till FY19
1	DDUGJY								
2	IPDS								
3	R-APDRP								
4	DAS								
5	Smart Grid								
6	Model Sub Division								
7	Model Village								
8	Any other schemes								

Annexure-3:

Year wise break up of no. of balance works that will complete and corresponding expenditure for completion of balance works of the scheme from FY20 onwards

Sl. No.	Name of the Scheme	FY20		FY21		FY22				
		Balance no. of works to be completed	Expenditure (Rs in Cr)	Balance no. of works to be completed	Expenditure (Rs in Cr)	Balance no. of works to be completed	Expenditure (Rs in Cr)	Balance no. of works to be completed	Expenditure (Rs in Cr)	Total no. of balance works to be completed	Total of the expected expenditure (Rs in Cr)
1	DDUGJY										
2	IPDS										
3	R-APDRP										
4	DAS										
5	Smart Grid										
6	Model Sub Division										
7	Model Village										
8	Any other schemes										
