

MESCOM

Preliminary Observations on the Applications filed by the MESCOM for approval of APR for FY18, ARR for FY20 to FY22 & Retail Supply Tariff for FY20 under MYT Framework

1. Observations on Sales:

A. Sales- Other than IP sets:

1. The energy sold to KPCL & wheeled energy is indicated as zero for FY18 (actuals) and FY19 to FY22. MESCOM shall verify and indicate sales if any.
2. MESCOM, at page 64, has compared 19th EPS projections with the current estimates of MESCOM and has stated that it has projected load growth under restricted conditions. MESCOM shall clarify, whether there are still restrictions imposed in view of surplus energy situation in the State. If not, whether the lower estimate is due to low demand growth, needs to be examined and explained.
3. At page 74, in the table, the Year should be FY20, FY21 & FY22.

4. Annual Performance Review for FY18:

- a. The Commission in its Tariff Order 2017, dated 11.04.2017, had approved total sales to various consumer categories at 4714.57 MU, as against the MESCOM's proposal of 4713.56 MU, excluding the sales to MSEZ and KPCL. The Actual sales of MESCOM, as per the current APR filing [D-2 FORMAT], is 4842.32 MU indicating an increase in sales to an extent of 127.75 MU, as compared with the approved sales. There is increase in sales of 205.20 MU in LT-categories and reduction of 170.86 MU in HT-categories. It is noted that, as against approved sales [excluding KPCL sales and supply to SEZ] of 3317.33 MU to the categories other than the BJ/KJ and IP sets, the actual sales achieved by MESCOM is 3146.47 MU,

resulting in the reduction of sales to these categories by 170.86 MU. Further, MESCOM has sold 1695.85 MU to BJ/KJ and IP set consumers as against approved sales of 1397.25 MU resulting in increased sales to these categories by 298.60 MU.

- b. The category-wise sales approved by Commission and the actuals for FY 18 are indicated in the table below:

Category	Energy In MU		
	Approved** Energy in MU	Actuals** Energy in MU	Difference (MU)
LT-2a*	1420.25	1351.30	-68.95
LT-2b	17.48	13.77	-3.71
LT-3	375.65	362.66	-12.99
LT-4b	0.93	0.93	0.00
LT-4c	7.24	7.91	0.67
LT-5	140.55	136.9	-3.65
LT-6	122.75	118.84	-3.91
LT-6	69.70	68.03	-1.67
LT-7	19.63	20.41	0.78
HT-1	88.26	90.54	2.28
HT-2a	614.81	596.27	-18.54
HT-2b	196.74	193.17	-3.57
HT-2c	204.34	137.07	-67.27
HT-3a & b	11.25	23.61	12.36
HT-4	18.78	19.1	0.32
HT-5	8.99	5.96	-3.03
Sub total	3317.33	3146.47	-170.86
BJ/KJ	44.93	34.21	-10.72
IP	1352.32	1661.64	309.32
Sub total	1397.25	1695.85	298.60
Grand total**	4714.57	4842.32	127.75

*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 Domestic (68.95 MU) and HT-2c (67.27 MU) and increase in sales is in IP sets (309.32 MU). The IP set consumption is discussed separately, in the subsequent paragraphs.

The MESCOM, while analyzing the reasons for reduction in HT -2c sales, has stated that nine-installations in this category have opted for Open Access, and in FY18, have procured 47.76 MU under OA. The Commission notes that there is considerable increase in OA/wheeled energy from about 27.12 MU in FY 17 to 47.76 MU in FY18 [i.e 1.78 times].

Regarding LT-2a, the MESCOM has stated that even though the sales to this category is less than the approved sales, the growth over FY17 is 3.60%. The Commission notes that the number of installations is less by 19119 with respect to approved values, probably contributing to reduction in sales. Further, the specific consumption for this category has also reduced with respect to approved values.

While MESCOM has furnished breakup of sale to the Open Access consumers pertaining to HT 2a and HT-2c categories, the same is not furnished for HT-2b category. Therefore, to further validate the sales, MESCOM shall furnish the following information for HT 2b category, if any:

Year	Sales by MESCOM	Energy procured by HT Consumers under open access / wheeling	Total of MESCOM Sales & OA/Wheeling consumption	% share of OA energy to Total energy
2016-17				
2017-18				

- c. MESCOM has indicated the actual sales to MSEZ as 39.60 MU in FY18, whereas MSEZ in their filing have indicated the same as 42.19 MU. MESCOM shall reconcile the above data and consider realistic sales projections.

- d. The Commission in its Tariff Order, had approved sales to KPCL at 9.59 MU for FY18. MESCOM in its D-2 Format of the filing, has not indicated any sales to KPCL for FY18 as per the actuals and for the estimates of FY19 FY22. MESCOM shall clarify the same.
- e. The Commission, in its Tariff Order had considered wheeled energy at 59.04 MU for FY18. MESCOM in its D-2 Format of the filing, has not indicated any wheeled energy for FY18 as per the actuals and for the estimates of FY19 to FY22. MESCOM shall clarify the same.

B. Observations on Sales to IP sets:

Sales for FY18:

- a. The Commission had approved energy sale to IP sets at 1352.32 MU, whereas MESCOM has indicated a consumption of 1661.64 MU. Thus there is increase in the actual consumption for FY18 by 309.32 (22.87%).
- b. The Commission had approved a specific consumption of 4447 units per installation and had approved the No. of installation at 313084. As per D-2 Format, 306053 No. of IP set installations are indicated for FY18, which is less than the approved number. Though, the projected number of IP sets has not been serviced, the increase in consumption has not been justified. MESCOM shall explain this increase in consumption with justifiable data like meter readings of the feeders predominantly feeding the IP sets, DTC metering data and any other reliable data to substantiate its claim. Hence, MESCOM shall furnish the basis (such as meter reading data of feeders predominantly feeding to IP sets/ DTC meters) for arriving the total sales under LT4(a) category for FY18.

- c. The MESCOM has conducted a GPS survey in respect of IP sets to find out the number IP sets in use and those which are dried up, defunct and not in use. Hence, MESCOM shall confirm whether the results of such a survey has been reflected in the number of installations indicated in the tariff application. If the survey has been completed, a copy of the survey report may be submitted to the Commission.

5. Category wise sales for the Control Period:

MESCOM in its filing has stated that it has made the estimates based on mixed CAGR and also considering the actuals of the immediately preceding year. MESCOM has adopted the following Growth rates for estimation:

i. Number of installations:

For all categories except BJ/KJ and LT-4a, generally, 3 year or 5-year CAGR is considered. Wherever, the growth is negative or inconsistent, the existing number of installations is retained at FY18 level and where the CAGR is abnormal, previous year's growth rate is adopted.

ii. Sales:

For all the categories except BJ/KJ and LT-4a, generally 3 year CAGR is considered. Wherever, the growth is negative or inconsistent, the sales is retained at FY18 level and where CAGR is abnormal, previous year growth rate is adopted.

- iii. In respect of BJ/KJ, no additions in the number of installations is considered and is retained at FY18 level. Hence sales are also retained at FY18 level for all the years from FY19.

- iv. In respect of IP sets, addition of 14924 No. of installations per year is considered, based on the number of installations added during FY18 and the energy sale is estimated based on the previous year's growth rate of 2.06%.

v. The observations of the Commission on sales forecast for the control period are as follows:

- i) LT (1) – BJ/KJ category: MESCOM has not considered any additions to the number of installations. In FY18, 2210 installations have been added to this category. Hence, MESCOM may consider revising the installations and sales for the control period considering the No. of likely additions to this category.
- ii) In respect of LT4(b) and LT4(c), while projecting the consumption for the Control period, same figures have been adopted in the D-2 Format, instead of projecting the same, duly considering the growth rates for the respective years. This may be reviewed.
- iii) The table indicating the growth rates for the number of installations is furnished below:

Category	Percentage Growth Rates			
	2012-13 to 2017-18 CAGR	2014-15 to 2017-18 CAGR	FY18 growth over FY17	Growth rate proposed by MESCOM for control period
LT-2a	3.20	3.05	2.60	2.56
LT-2b	3.51	3.53	3.34	3.60
LT-3	4.13	3.93	3.51	4.09
LT-5	5.62	5.00	4.10	2.85
LT-6 WS	6.95	6.85	8.63	6.86
LT-6 SL	7.09	8.93	6.00	6.00
HT-1	12.70	12.62	13.64	13.27
HT-2 (a)	5.79	7.75	5.48	6.80
HT-2 (b)	3.20	8.74	11.06	7.39
HT-2 (c)	-	6.86	4.92	5.14
HT-3(a)& (b)	13.30	5.27	7.69	0.00
HT-4	-2.99	7.72	5.77	5.17

It is noted that:

The growth rate considered for LT-2a, LT-5 & HT-3 is lower as compared to the CAGR. MESCOM may consider revising the same.

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

Category	Percentage Growth Rates			
	2012-13 to 2017-18 CAGR	2014-15 to 2017-18 CAGR	FY18 growth over FY17	Growth rate proposed by MESCOM for control period
LT-2a	4.79	3.92	3.60	3.60
LT-2b	7.77	6.22	-0.36	2.34
LT-3	5.97	5.98	5.94	4.91
LT-5	0.89	1.37	0.09	1.70
LT-6 WS	4.05	3.36	-1.40	3.04
LT-6 SL	3.42	5.34	-1.94	3.12
HT-1	3.10	2.80	4.77	3.20
HT-2 (a)	-1.05	-5.69	8.75	0.84
HT-2 (b)	-3.07	7.88	3.82	3.57
HT-2(c)	-	-2.22	-11.48	0.00
HT-3(a)& (b)	4.01	0.55	47.29	0.00
HT-4	2.25	9.87	1.49	6.30

- a. The growth rate considered for LT-2b & LT-3 appears to be lower, considering the CAGR and, the growth rate considered for LT-5 appears to be higher considering the past trends. MESCOM may consider revising the same.
- b. Since the growth rate for the number of installations for HT2a, HT2c and HT4 has been considered positive, the sales to this category should also have been slightly increased corresponding to the new addition of installations. MESCOM shall explain the reasons for not considering the same.

c. Further, for HT2(a) category, the sales estimate based on the analysis of open access impact shall be considered. MESCOM should compute the growth rates considering the total energy sold to this category including OA/wheeling and should have estimated the sales considering the ratio of energy sold by MESCOM in FY18 to the total sales of FY18 including OA/wheeling sales. MESCOM may compute HT-2a sales on the above method and furnish the data.

d. **Projected sales to IP Sets for the FY19 and FY20-22:**

MESCOM shall furnish the progress of NJY work along with all the details as directed by the Commission to the effect that in future it shall consider only the actual meter readings of individual IP-set installations duly ascertaining the correct number of IP sets in use in the field and report the consumption of IP-sets on the basis of meter reading data from such IP-set installations every month, to the Commission. This is not being monitored and submitted by the MESCOM corporate office. This would enable accurate measurement of IP set consumption as compared to assessing the consumption based on the meter readings of sample DTCs feeding predominant IP loads.

MESCOM shall furnish the basis for computation of IP set consumption for FY19 and FY20 to FY22.

C. Validation of Sales:

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

a. No. of Installations

Category	2016-17 Actuals		2017-18 Actuals		2018-19	
	As on 30 th Nov 2016	As on 31 st March 2017	As on 30 th Nov 2017	As on 31 st March 2018	As on 30 th Nov 2018	As on 31 st March 2019 (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/mth.						
IP sets-LT-4a						
Sub Total (BJ/KJ and						
Grand Total						

b. Energy Sales:

Category	2016-17 Actuals		2017-18 Actuals		2018-19	
	1 st April 2016 to 30 th Nov 2016 (cumulative)	1 st Dec 2016 to 31 st March 2017 (cumulative)	1 st April 2017 to 30 th Nov 2017 (cumulative)	1 st Dec 2017 to 31 st March 2018 (cumulative)	1 st April 2017 to 30 th Nov 2018 (cumulative actuals)	1 st Dec 2018 to 31 st March 2019 (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)&						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ						
BJ/KJ<=40 units/mon						
BJ/kJ > 40 units/mon th.						
IP sets LT						
Sub Total (BJ/KJ and						
Grand Total						

D. Sales to MSEZ:

MESCOM has retained sales to MSEZ for FY19 and for the control period at 39.60 MU, whereas MSEZ in their filing have indicated the same as follows:

FY19	FY20	FY22	FY23
42.64	51.13	56.86	60.36

MESCOM shall reconcile the above data.

2. RPO Compliance:

MESCOM has not furnished the details of RPO compliance of solar and non-solar RPO for 2017-18. Hence, to ascertain the RPO compliance and to work out APPC, MESCOM shall furnish the data as per the format indicated below, duly reconciling the data with audited accounts:

a. Non-solar RPO:

No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase quantum from all sources excluding Hydro energy		
2	Non-solar Renewable energy purchased under PPA route at Generic tariff including Non-solar RE purchased from KPCL		
3	Non-solar Short-Term purchase from RE sources, excluding sec-11 purchase		
4	Non-solar Short-Term purchase from RE sources under sec-11		
5	Non-solar RE purchased at APPC		
6	Non-solar RE pertaining to green energy sold to consumers under green tariff		
7	Non-solar RE purchased from other ESCOMs		
8	Non-solar RE sold to other ESCOMs		
9	Non-solar RE purchased from any other source like banked energy purchased at 85% of Generic tariff		
10	Total Non-Solar RE Energy Purchased [No 2+ No.3+No.4+No.5 +No.7+No.9]		
11	Non-Solar RE accounted for the purpose of RPO [No.10- No.5-No.6-No.8]		
12	Non-solar RPO complied in % [No11/No1]*100		

b. **Solar RPO:**

No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase quantum from all sources excluding Hydro energy		
2	Solar energy purchased under PPA route at Generic tariff including solar energy purchased from KPCL		
3	Solar energy purchased under Short-Term, excluding sec-11 purchase		
4	Solar Short-Term purchase from RE under sec-11		
5	Solar energy purchased under APPC		
6	Solar energy pertaining to green energy sold to consumers under green tariff		
7	Solar energy purchased from other ESCOMs		
8	Solar energy sold to other ESCOMs		
9	Solar energy purchased from NTPC (or others) as bundled power		
10	Solar energy purchased from any other source like banked energy purchased at 85% of Generic tariff		
11	Total Solar Energy Purchased [No.2+ No.3+No.4+No.5+No.7+No.9+No.10]		
12	Solar energy accounted for the purpose of RPO [No.11- No.5-No.6-No.8]		
13	Solar RPO complied in % [No.12/No.1]*100		

MESCOM shall also furnish the estimates for complying with solar and non-solar RPO for FY20-FY22, including cost implication for purchasing RECs, if any.

3. Wheeling Charges for FY20:

MESCOM has proposed wheeling charges of 37 paise/unit and 87 paise/unit for HT network and LT network, respectively. Further it is stated that proposed technical losses of 4.37% at HT level and 6.79% at LT level are applicable.

MESCOM shall clarify whether the above wheeling charges are proposed to RE sources also. If not MESCOM's proposal in the matter may be submitted.

4. Cross-subsidy surcharge:

- a. For FY20 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:

Voltage level	HT-1	HT-2a	HT-2b	HT-2C	HT-4	HT-5
66kV & above	-	1.91	2.13	2.00	-	1.09
HT-33 kV	-	1.90	2.13	2.00	-	1.01
HT-11kV	-	1.71	2.13	2.00	-	0.82

The Commission notes that MESCOM has considered average cost at different voltage level as 809 paise/unit, whereas the same has to be different for different voltage level. As such, the computation of CSS shall be revised based on the voltage-wise costs at different voltage levels.

5. Power purchase ARR FY18:

- 1) The details of station -wise / Source-wise power purchased quantum & cost in the format as in Annexure-II of Tariff Order 2017 (with the same order and the same contents), shall be furnished.
- 2) A separate statement showing the variable cost in the ascending order from different sources of power shall be attached. Any deviation from merit order scheduling should be explained fully.
- 3) The PGCIL Charges have increased by around 84%, the reason for such a raise in the charges shall be explained with details. This has been increasing year after year which is resulting huge burden on the end consumers. Whether, MESCOM has taken any initiative to address this issue of abnormal increase in the PGCIL POC charges, shall be informed to the Commission.

- 4) The MESCOM has considered 407.95 MU and Rs. 169.72 Crores as inter-ESCOMs energy charges for Energy balancing, as indicated in D1-Format. The basis for payment of this amount need to be furnished besides submitting a reconciliation statement for the energy balancing among the ESCOMs.
- 5) In respect of the following Hydro and thermal stations, indicated in the D1 Format, the per unit total cost paid to the generators is on a higher side as compared to the per unit cost paid by the BESCO. The MESCOM shall examine the same and recover excess payments, if any, from the generators, under intimation to the Commission, while explaining the reasons for the difference:

SL. No.	Source	Avg. P.P cost as per MESCOM (Rs/kWh)	Avg. P.P Cost as per BESCO (Rs/kWh)	MESCOM's Avg. P.P. Cost is higher by (Rs/kWh)
	KPCL-Thermal			
1	RTPS VIII	4.37	4.26	0.11
2	BTPS Unit I	5.26	4.61	0.65
3	BTPS Unit II	5.18	5.05	0.13
4	BTPS Unit III	7.65	5.50	2.15
5	Raichur Power Corporation Ltd (Yermarus)	8.44	7.00	1.44
	KPCL-Hydel			
1	Sharavathi Hydro Electric Project	0.51	0.42	0.09
2	Varahi Hydro Electric Project	1.52	1.29	0.23
3	Kadra Power House	2.33	0.95	1.38
4	Kodasalli Power House	1.64	0.72	0.92
5	Gerusoppa Power House	2.10	0.93	1.17
6	Ghataprabha Power House	1.81	1.42	0.39
7	Almatti Power House	1.63	1.36	0.27
8	VVNL Hydel Munirabad	1.01	0.77	0.24
	CGS			
1	NLC II	3.69	3.37	0.32
2	NLC II Expansion	5.92	5.28	0.64
3	NTPC Talcher Stage II - Unit-I	2.29	2.05	0.24
4	NTPC-SR - Stage III (Talcher)	3.07	2.75	0.32
5	NTPC-SR - Simhadri	4.52	4.25	0.27

6	NTPC- Kudugi	6.26	5.45	0.81
7	Damodar Valley Corporation	4.42	3.71	0.71
	Major IPPs			
1	M/S UPCL, Padubidri	5.71	5.02	0.69

- 6) In respect of BTPS Unit-1 to 3, YTPS Unit-1&2, Sharavathi Hydro Electric Project, Kali Nadi Hydro Electric Project, Kadra Power House, Kodalalli Power House, VVNL Hydrel MGHE, VVNL Hydrel Shivanasamudra, VVNL Hydrel Munirabad, NLC II Expansion, NLC Tamilnadu (Tuicorin) , NTPC- Kudugi, M/s NTPC Tamilnadu Energy Ltd (Vallur), MAPS, NPCIL – Kaiga and in respect of Damodar Valley Corporation , the tariff indicated in the D1 Format is higher than the Commission approved tariff for FY18. The MESCOM shall furnish the basis thereof.

The per unit cost in respect of NCE and Medium Term-Cogen(NCE) are higher as compared to the one approved by the Commission reckoned for FY18. The MESCOM shall furnish the basis thereof.

6. Power purchase for FY20 – FY22:

1. MESCOM shall furnish the Generator-wise, Month-wise projections, indicating Generator-wise / Sources-wise capacity and energy (in terms of MW and in terms of MU). In respect of Renewable Energy (RE), month-wise break up of source-wise capacity and energy shall be furnished. This is essential to analyze the month-wise variations of requirement of energy and availability from different sources.
2. MESCOM shall furnish the basis for taking FC and VC for BTPS unit-3, YTPS and Yelahanka gas plant.
3. MESCOM shall furnish the basis for computation of the FC and VC for UPCL

4. MESCOM shall furnish necessary write up, for justifying the Power Purchase as per D-1 Format.
 5. MESCOM shall furnish the details of power purchase from new RE projects for which PPAs have been executed for RE projects including solar projects along with their likely date of commissioning.
- 7. Observations on Losses, expenses and Revenue etc.-APR for FY 18/ARR for FY 20-22:**

1. Distribution Losses:

The MESCOM, as per the audited accounts, has reported the actual distribution loss of 11.32% as against 11.05% approved by the Commission, in its Tariff Order dated 11th April 2017, which is higher than the approved loss by 0.27 percentage points. Considering the achievement made by the MESCOM in reducing the distribution losses during the previous years and the amount of capital expenditure incurred, the efforts made by the MESCOM in reduction of the distribution for FY18 does not appear to be adequate. MESCOM shall furnish the reasons for not achieving the distribution loss level approved by the Commission, besides furnishing the details of division-wise distribution losses for FY18. Further, the MESCOM shall also furnish the status of distribution loss achieved in the FY19 as at the end of November, 2018.

2. Carry forward deficit:

MESCOM, in its APR application for FY 18, has claimed an amount of Rs.395.74 Crores towards deficit of FY15-16 and also the deficit of Rs.162.41 Crores pertaining to the previous years -2007-08 to 2014-15. It is pointed out here that, during the Annual Performance Review of the relevant years, the Commission has been allowing the expenditure based on the MYT norms and the revenue gap or surplus thereon is being carried forward to the subsequent year, while approving the ARR of the relevant year. The Commission expects the ESCOMS to regulate their expenditure in accordance with the approved

Revenue and Expenses duly exercising due diligence and ensuring efficiency. Once the APR is approved in terms of the MYT Regulations, the Commission will not review the APR of the previous years. Since the deficit or surplus of the previous year, as approved by the Commission, is being carried forward to the subsequent year's ARR and allowed to be recovered in the retail supply tariff, the question of claiming the deficit of earlier years again, in the APR of FY18, will not arise. The action of MESCOM in considering the deficit of earlier years has resulted in unnecessarily inflating the revenue gap for FY20, resulting in remittance of a higher fee to the Commission, for processing the tariff application. **This indicates that MESCOM is not clear about the concept of 'Regulatory Accounting' for the purpose of approval of the ARR. This action of MESCOM is in clear violation of the MYT Regulations and MESCOM shall submit its explanation for the same.**

3. Additional Employee Cost:

The MESCOM in its APR filing has claimed an amount of Rs.69.71 Crores being the pay revision arrears amount for the period from 01.04.17 to 31.03.18 as an additional employee cost under O&M expenses for FY18. MESCOM shall furnish the actual amount of pay revision arrears paid to the employees for the same period.

4. Break-up of Civil Engineering Works:

MESCOM in its ARR filings for FY18 has claimed Rs.22.54 Crores as against the approved amount of Rs.16 Crores as the capital expenditure on civil engineering works. MESCOM shall furnish the break up details for the same. Further, MESCOM has also projected Rs.30 Crores for FY 19 and Crores Rs.60 each towards civil engineering works for FY20 to FY22. MESCOM shall furnish the details of the works proposed under the head for FY19 to FY22.

5. Regularization of Un-authorized IP sets for FY18:

MESCOM in its filing of APR for FY18, has claimed Rs.126.17 Crores as against Rs.75 Crores approved by the Commission as the capital expenditure incurred

for regularisation of unauthorized IP set (UNIP) installations for FY18. Further, MESCOM also proposed Rs.75 Crores, Rs.82 Crores, Rs.9.70 Crores and Rs.75.00 Crores as capital expenditure for regularisation of UNIP installations. MESCOM shall furnish the Division-wise details of number of unauthorized IP sets existing, regularized during FY18 and the balance of UNIP installations yet to be regularized as at the end of the March, 2018.

Further, for projecting the capex under this item for the FY19 to FY22, MESCOM shall furnish the division-wise action plan for regularization of UNIP installations with both number of UNIP installations and the amount of capex required.

6. Observations on Capex- ARR FY18:

In the Tariff Order 2017, the Commission had approved capex of Rs.289.40 Crores for MESCOM for FY18. Now, the MESCOM has indicated a capital expenditure of Rs.419.39 Crores in the table on page No.30, whereas in format D17, the total capital expenditure is shown as Rs. 616.50 Crores. The MESCOM shall explain the reasons for the difference in capex figures.

Though, the MESCOM had sought a capex of Rs. 289.40 Crores for, the FY18, it has incurred a capex of Rs.419.39 Crores for the FY18, without approval from the Commission for the additional capex. This shows that, the MESCOM is not incurring the Capital expenditure within the amounts approved by the Commission. The reasons for the same shall to be furnished.

It is to be noted here that, the MESCOM has exceeded the approved capex in some of the works which include, DTC metering, Energization of IP sets, Tools & Plants and Computers and Civil Engineering Works. Further, the MESCOM has not achieved the capex in respect of Service Connections and 33kV Sub Stations & Line works. MESCOM has incurred expenditures for the works like R-APDRP Programme, RGGVY (DDUG) Programme and Sheegra Samparka Yojane, which were not included in the Capex. It shows that MESCOM is not prioritizing its capex and incurring the same without complying with the Capital

Expenditure Guidelines issued by the Commission. The MESCOM should take up the works which are necessary and same shall be completed in a time bound manner, for its effective utilization of the funds.

The MESCOM shall furnish the details of sources of funding (like grants, debt, equity and internal sources) for the capex incurred during the FY18, against each of the categories of works.

7. Capital Investment Plan for FY20-22:

For FY19, the Commission had decided to consider the capex of Rs.763.5 Crores as proposed by MESCOM for FY19. However, the Commission, by considering the actual capex incurred during the previous year's, decided to consider Rs.500 Crores as capex for the purpose of computation of interest on loans for determination of Tariff for FY19. However, as indicated in table in page No-77, for FY19, the total capital expenditure is 816.65 Crores, which is far in excess of amount approved by Commission. Further, in Format D-17, the total capital expenditure is shown as Rs. 753.36 Crores. MESCOM shall reconcile the figures.

It is to be pointed that the capex approved by the Commission is being factored in the retail supply tariff which enables the ESCOM to recover the cost of financing the capex through tariff. Any amount incurred in excess of the approved amount will have direct impact on the finances of the ESCOMs, since the same is not factored in the tariff to be recovered from the consumers. Hence, the MESCOM shall explain the reasons for the incurring capex far exceeding the approved amounts.

MESCOM shall provide necessary justification for each of the works in terms of its purpose, requirement, physical progress, cost and timelines of completion along with the no. of works to be taken in each of the year for FY19 to FY-22.

8. Break up of Loans:

MESCOM shall furnish the Bank / Financial Institution-wise details in the D-9 Format **for long term and short term loan separately** for FY18 and the actuals up to November,2018, the projections for the remaining period of FY19 and the projection for FY20 to FY22. The details shall include the opening balance receipt, repayment, term of loan, rate of interest, purpose of loan, interest amount and the closing balance of loans.

9. Additional Equity infused by the GoK:

MESCOM shall furnish the amount of additional equity infused by the GoK through various Government Orders and the actual date of receipt during FY18 and upto November, 2018 during FY19.

10. Consumer's relation/education:

The MESCOM shall furnish the breakup of amounts utilized in connection with consumer's relation/education during FY18 against the fund approved by the Commission for FY18 and up to November, 2019 incurred during FY19.

11. Subsidy claims submitted to the GoK:

The MESCOM shall furnish the details of subsidy claims submitted to the GoK and the subsidy received in respect of IP and BJ/KJ installations along with energy sales during FY18. MESCOM shall also furnish the details of subsidy pertaining to the past periods received from the GoK during FY18 separately.

12. Half yearly accounts for the FY19:

MESCOM has not submitted the half-yearly accounts for the FY19. MESCOM shall submit the same.

13. Special Incentive Scheme:

The MESCOM in its filing of ARR for FY20-22, has proposed certain modifications to the Special Incentive Scheme (SIS) approved by the Commission along with the computation sheet. The Commission notes that, the analysis made by the

MESCOM for 12 HT installations, covered under the scheme and arriving at the revenue loss on the basis of only one month's consumption for April, 2018 with the consumption of October,2018 at the applicable rate, may not give the true picture of the scheme, MESCOM shall analyze and submit a report by computing the effect of the scheme from the date of its implementation in the sub-divisions, by considering the consumption, month after month, with and without the application of the SIS (at normal tariff by including the demand charges) to find out the actual effect of the scheme. The intention of the scheme is to encourage sales by retaining the HT consumers to use the ESCOM's grid power and to discourage them from opting for open access.

14. The MESCOM, in its ARR filing for FY 20-22 under Format D-3 – Other income, has considered same amount for FY19 to FY22 with reference the actual amount for FY18. MESCOM need to examine this and consider revising the same.
15. The MESCOM, in its filings of APR for FY18 and ARR for FY20-22, has claimed Rs.63.02 Crores, Rs.69.66 Crores, Rs.77.00 Crores, Rs.85.11 Crores and Rs.94.07 Crores respectively, towards terminal benefits under employee cost. MESCOM shall furnish the computation sheet for the same along with the relevant actual valuation report.
16. MESCOM, in its APR and ARR filings under D15 Format has considered the balance of gross fixed assets without the inclusion of value of assets created out of consumer contributions/grants. The MESCOM, by considering the assets created out of consumer contributions/grants shall furnish the revised D15 format for FY18 to FY22. Further, MESCOM shall also furnish the details of depreciation on the assets created out of consumer contributions/grants for FY18 to FY22.
17. **Submission of AG Audited Accounts:** The MESCOM shall furnish the C.A.G.s audited accounts for FY 18 and the half year accounts for FY 19.

18. Additional Surcharge:

The Commission, in its Order dated 14th May, 2018 had approved recovery of additional surcharge from the OA consumers for FY19 based on the actuals for FY17. In order to continue the recovery of additional surcharge, the MESCOM shall furnish the details of computation of Additional Surcharge as per Annexure enclosed to these observations in Table-1 to Table-3, with reference to the actual power purchase costs and Revenue realized for FY18 and also as per the estimates for FY20 separately. These details are required to establish the under-recovery of stranded cost in the generation, transmission and distribution activities. The computation of additional surcharge with reference to estimates in the ARR for FY20 is required to demonstrate that the costs continue to be stranded even during the year 2020.

19. Observations on Directives:

SI No	Directives Issued by the Commission	Observation made
1	Consumer interaction meeting at Subdivision level.	It was directed to conduct consumer interaction meetings at Subdivision level once in a quarter to redress the consumer complaints. MESCOM has to furnish the details of number of meetings conducted in each of the sub divisions with date and other details. In the 2 nd Qtr of FY19, it is observed that CIM is not conducted in 2-Sub Divisions of Udupi O&M Circle and 6 Sub Divisions of Chikkamagaluru O&M Circle. MESCOM is directed to furnish the details and reasons for not conducting consumer interaction meetings in the other O&M sub divisions,
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 FY18 along with the details of cost of inadvertently banked energy.

SI No	Directives Issued by the Commission	Observation made
3	Directive on Energy Conservation	<p>The MESCOM was directed to service all the new installations only after ensuring that the BEE ***** (Bureau of Energy Efficiency five-star rating) rated Air Conditioners, Fans, Refrigerators, etc., are being installed in the applicant consumers' premises and to service all streetlight installations with LED/energy efficient lamps.</p> <p>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.</p> <p>MESCOM has not indicated in its compliance, the measures taken to ensure use of five star rated equipment in all the existing domestic, commercial and industrial consumers.</p> <p>The MESCOM shall submit the compliance thereon.</p>
4	Directive on implementation of Standards of Performance (SoP)	<p>The MESCOM in its compliance to directives in the tariff filing, has not submitted the details of the number of O&M subdivisions and O&M Sections, where SoP parameters have been displayed clearly and the balance, if any, with definite time line to complete the same. The MESCOM shall submit the compliance on the above.</p>
5	Directive on use of safety gear by linemen	<p>The MESCOM has submitted that it has provided safety gear to all Powermen. 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 during the ESCOMs Review Meeting on 16.11.2018, 21,332 number of Street Lights installations are required to be provided with timer switches. The number of SL installations</p>

SI No	Directives Issued by the Commission	Observation made
		<p>during the tariff filing for FY18 was around 18,000. These figures shows that MESCOM is not insisting to provide timer switches while servicing the new SL installations.</p> <p>MESCOM shall submit the compliance on the same.</p>
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 for approval, of the Commission, regularly. The MESCOM shall submit compliance on the same.</p> <p>The MESCOM did not submit the details of a mechanism / system it has been developing since 2 – 3 years, for informing the consumers / public through SMS in case of load shedding due to any reasons.</p> <p>The MESCOM shall submit compliance in this regard.</p>
8	Directive on establishing a 24X7 fully equipped centralized consumer service centers	<p>The MESCOM has not furnished the details of number of service stations it has established till September 2018, by providing infrastructural requirements at the subdivisions / sections and the balance service stations required to be established in the Subdivisions / Sections for effective monitoring of complaints and the likely time to be taken for establishing such service stations.</p> <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 FY17 and FY18 shall be furnished.</p>
9	Directives on Energy Audit	<p><u>Energy Audit of cities / towns</u></p> <p>The MESCOM has furnished the abstract of energy audit details up to September, 2018 only along with the comparative statement of losses for the FY18, but,</p>

SI No	Directives Issued by the Commission	Observation made
		<p>the monthly reports are not being furnished to the Commission regularly. The MESCOM shall furnish the same up to September 2018 along with the details of measures it has initiated to further reduce loss levels wherever the same are at higher level.</p> <p><u>DTCs Energy Audit:</u></p> <p>The MESCOM has not furnished the details of energy audit conducted in respect of 30,746 DTCs, out of 43,282 DTCs for which meters are said 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 preceding Tariff Orders, in respect of energy audit of DTCs.</p>
10	Implementation of NJY	<p>The MESCOM shall furnish the details of the total number of feeders in its operational area, the number of feeders requiring separation of IP sets, the number of feeders taken up in the NJY project as on September 2018, along with objectives set in the DPR, expected benefits and the likely time required to complete the project.</p> <p>MESCOM shall also submit the action plan for segregation of remaining IP feeders.</p>
11	DSM in Agriculture	<p>The status is the same as that of the previous two years. The MESCOM shall furnish the reasons for the delay in implementation of DSM measures and also furnish definite time period by which it would take up and complete the program.</p>
12	Directive on Implementation of Financial Management Framework	<p>MESCOM has to submit the compliance in respect of implementation of Financial Management Framework, on quarterly basis regularly to the Commission.</p> <p>MESCOM shall submit the detailed analysis and the</p>

SI No	Directives Issued by the Commission	Observation made
		result of Financial Management Framework Model introduced in its divisions / subdivisions to improve their performances FY18 and up to September 2018.
13	Prevention of Electrical Accidents	<p>MESCOM is required to furnish the action plan for rectification of balance hazardous locations / installations identified in its distribution network.</p> <p>MESCOM has to furnish the summary of the analysis made on the reports submitted by Electrical Inspectorate for FY19 up to September 2018 and the action taken to prevent such accidents in future.</p>
