

APPENDIX-1

Statement showing the objection of the consumers / public, HESCOM's Response and the Commission's Views.

Objections relating to Tariff Issues:	
Objections of HESCOM's	Replies by HESCOM's
1. Farmers are in a dire financial condition due to failure of monsoon yet again during the year and hence the revision of tariff should be deferred,	Cost of power purchase and other operational expenses of HESCOM, have gone up making it inevitable to increase the tariff.
Commission's Views: Reply furnished by HESCOM is acceptable. It is noted that the Government of Karnataka is subsidizing IP-sets' consumption of 10 HP and below, through subsidy.	
2. Tariff Order states that IP set installations to be billed every 3 months, but, HESCOM bills them every month.	Under Niranthara Jyothi Scheme, all IP set installations have been separated and energy consumption has to be submitted to GoK every month. Tariff Order stipulates billing of IP set installations at least once in 3 months, but, Commission doesn't object to bill them every month.
Commission's Views: Reply furnished by HESCOM is acceptable.	
3. HESCOM is yet to reimburse Rs 15 Crore package, received for IP sets coming under Malnad area from the GoK, vide order No.107 ELS 2003, dated 09.03.2003	No package towards the IP sets in Malnad area is received from GoK as the Commission did not approve the action.
Commission's Views: Reply furnished by HESCOM is acceptable.	
4. Policy prevailing for collection of a Deposit of Rs.10000/- for a New IP set, needs to be modified as Rs.1000/- per HP, as most of the farmers of Uttara Kannada go for pump sets 1 HP only.	Collection of Rs.10000/-, as deposit for new IP sets is in accordance with GoK orders. The Government has to take a view on this.
Commission's Views: Reply furnished by HESCOM is acceptable.	

5. Minimum charges imposed in every bill is requested to be deducted from the consumptions of the installations.	Collection of minimum charges in HT-3(a) and HT-3(b) category of installations is as per the directions of Commission.
Commission's Views: Reply furnished by HESCOM is noted. The minimum charge represents the fixed cost recoverable from the consumers for the infrastructure created by the HESCOM and its maintenance. Hence, irrespective of the consumption, the minimum charges have to be collected to cover the fixed costs and maintenance expenses.	
6. HESCOM to provide uniforms and identity cards for meter readers.	Meter readers, wherever outsourced, are provided with identity cards, whereas, HESCOM employees are provided both uniforms and identity cards.
Commission's Views: Reply furnished by HESCOM is acceptable.	
7. HESCOM proposes a uniform tariff policy without differentiating consumers as rural and urban.	HESCOM will follow the directions of Commission.
Commission's Views: The Commission has been adopting the principle of differential tariff for urban and rural consumers, as per the principles laid down in the Electricity Act, 2003.	
8. Payment of travelling allowance for Members of Taluka level consumer advisory forum to attend regular meetings should be considered.	Members of consumer advisory forums are appointed by the GoK and hence HESCOM is unable to accept the request.
Commission's Views: Reply furnished by HESCOM is acceptable.	
9. HESCOM should consider extending concession from the power cut to the farmers of Uttara Karnataka District, who have sacrificed their land for nuclear and hydel projects.	It is not feasible.
Commission's Views: Restrictions on power supply are necessitated due to system constraints and they are applicable to all the consumers of HESCOM without any exception.	
10. Consumers opting for open access may be a reason for reduction in sales in HT2B category during FY17. The fall in revenue is also attributable to reduction	There is no reduction in sales in HT2B category due to consumers opting for open access. But the fall in consumption of this category is on account of

in the contract demand by many industries owing to increase in tariff and ToD billing	utilization of LED bulbs.
Commission's Views: The reply furnished by HESCOM is noted.	
11. Number of ATPs in service in HESCOM (52No) need to be increased to serve the general public. The failed ATPs at Gadag, are causing inconvenience to the consumers, and need to be put into service early.	Action has been taken to restore the services of the failed ATPs and, increasing in the number of ATPs will be reviewed.
Commission's Views: The reply furnished by HESCOM is noted.	
12. Status of GIS mapping in HESCOM should be furnished.	Mapping has been completed for 1,56,197 DTCs as on 31.01.2018 against the work award for GIS mapping of 1,13,845 DTCs.
Commission's Views: The reply furnished by HESCOM is noted.	
13. Details of commissioning of SRTPV installations under solar policy 2014- 21. Should be furnished Whether the implementation of Scheme is lagging on account of reduction in tariff should be clarified.	Status of year-wise installation of SRTPV is as under: <ul style="list-style-type: none"> • FY17: 334 installations with a capacity of 10.6 MW, • FY18 (up to 31.01.2018): 364 installations with a capacity of 10.9 MW. Commission determines the SRTPV tariff.
Commission's Views: The reply furnished by HESCOM is noted.	
14. HESCOM's identification of only 97 beneficiaries for solar pump-sets, as against the allotment of 450 by the GoK in 2 nd phase, indicates that HESCOM is not interested in energy conservation scheme.	113 beneficiaries are identified till date with directions to the field staff to identify the remaining beneficiaries. LED bulbs are made mandatory to service the new street lights and the local bodies are being pursued to provide timer switches to street lights.
Commission's Views: The reply furnished by HESCOM is noted.	

15. Supply of inferior quality power and maintaining vigilance squad at huge cost are against the provisions of the Electricity Act, 2003.	HESCOM provides the power supply as per the directions of GoK. Vigilance establishment in HESCOM comes within the ambit of GoK.
Commission's Views: The reply furnished by HESCOM is noted.	
16. Action has to be taken for management of financial framework and responsibility and accountability for individuals	Financial management framework, as per the guidelines of the KERC, is being established for proper accounting and sharing of responsibility.
Commission's Views: The reply furnished by HESCOM is noted.	
17. Cost of retail tariff mentioned as Rs.7.607 per unit, vide page No. 136, in the filing does not match with the data furnished in the paper notification dated: 07.01.2018, wherein, it is mentioned as Rs.6.96 per unit	Cost of retail tariff of Rs. 6.96 per unit, mentioned in the newspaper, pertains to revenue requirement of FY19, without considering the deficit of the earlier years, whereas, the tariff application considers all the deficits and the net ARR for FY19 works out to Rs.7.607 per unit.
Commission's Views: The reply furnished by HESCOM is noted.	
18. Whether fixed charges considered in the tariff order FY16 and FY17 are also taken in to consideration to compute the energy charge should be clarified.	Commission bifurcates the fixed cost and energy charges on actual basis and suggests the removal of fixed cost component in the energy charge.
Commission's Views: Analysis of the Tariff Order of FY16 and FY17 reveals that the actual fixed cost component of generation, transmission and distribution are not being fully recovered in the fixed cost as per the present tariff structure and a part of the fixed charges is being collected with the energy charges. Hence, the Commission has decided to increase the fixed charges gradually to ensure full recovery of fixed charges.	
19. A reduction of 51600 IP sets during FY17 should have considerably brought down the consumption attributable to IP sets and HESCOM's claim of excess sale of 361.31 MU over and above the approved 5619.82 MU for agricultural sector, cannot be accepted.	Considering the geographical diversity of HESCOM area, it is difficult to assess the IP consumption. Enumeration of IP sets through GIS mapping is nearing completion and has revealed 13,256 dry bore wells.

Commission's Views: This issue has been appropriately dealt with in this Tariff Order in the relevant chapter. Nevertheless, HESCOM shall come out with exact number of functional IP sets and arrive at the consumption as per the meter reading data of the bifurcated feeders supplying power exclusively to IP sts.	
20. Section officers and JTAs do not follow the directions given in the Tariff Order 2015 and levy commercial tariff to the rooms let out in the residential premises instead of domestic tariff.	Suitable action would be taken on the grievance expressed.
Commission's Views: HESCOM shall charge the consumers the applicable tariff as per the Commission's Orders and ensure that the consumers are not put to difficulties due to misinterpretation of the Commission's Orders.	
21. Consumption of ETP installations maintained by charitable Hospitals under category HT(2)(C)(1) may be given a discount in tariff at 20 paise per unit in line with the benefit extended to the ETP installations provided at 100 bed Hospitals.	HESCOM adheres to the Commission's order in this regard.
Commission's Views: This issue has been appropriately dealt with in this Tariff Order in the relevant chapter.	
22. Multiyear tariff regulations should be suitably amended by the Commission to consider audited accounts of 2 years for tariff revision.	Consideration of 2 years audited accounts for tariff revisions is not agreeable.
Commission's Views: For conducting Annual Performance Review of a given year, the audited accounts of the relevant year is considered. For estimating the sales and expenses for ARR purposes of the subsequent year, the figures of more than one year are considered as per the MYT Regulations. Hence the suggestion to consider two year's accounts is not practicable.	
23. Unless unmetered sales of IP sets are brought under metering, the assessment of distribution loss would be inaccurate	With adoption of NJY Scheme, which measures the consumption of IP sets, accurate assessment of the distribution loss is possible.
Commission's Views: The reply furnished by HESCOM is noted.	

24. Audit Report discloses a liability of Rs. 4173.84 Crores with huge interest charges.	Action as suggested by the Auditor would be taken.
Commission's Views: The reply furnished by HESCOM is not satisfactory. HESCOM needs to control its expenditure and improve the cash collections in order to meet its liabilities.	
25. Details of actual cost of work, cost to benefit ratio etc. cannot be assessed on account of inordinate delay in closure of a work, All projects costing more than Rs.5 lakhs should be subjected to prudent check.	HESCOM conducts the internal prudence check as per the directions of the Commission.
Commission's Views: The Commission has decided that, initially the ESCOMs shall subject their capex works to prudence check internally and the Commission would conduct random check of works once in two years through third party verification.	
26. Action taken to recover misappropriated amount of Rs.0.05 Cr from the employees should be furnished with efforts being made for disposal of legal cases.	Action would be taken to comply with the suggestions.
Commission's Views: The reply furnished by HESCOM is noted.	
27. HESCOM is overlooking the fact that it is a utility as well as a service provider.	HESCOM, a service provider company, strives hard to provide quality service to the consumers.
Commission's Views: The reply furnished by HESCOM is noted.	
28. HESCOM being the only power supplier, the consumers are forced to buy power from them at any price they fix.	HESCOM is a major distribution company serving the 7 districts of North Karnataka and as per the prevailing Regulations, anyone can obtain license from KERC to distribute power anywhere in the State. HRECS, Hukkeri, is a licensed distribution Society to supply electricity to Hukkeri Taluk and it works on par with HESCOM.
Commission's Views: The reply furnished by HESCOM is noted.	
29. HESCOM seeks a hike in tariff every year since FY 09 and irrespective of the	Annual filing of tariff, approval for ARR and ERC is mandatory as per the

<p>amount of hike approved, HESCOM continues with its business. Last year, a mere hike of Rs 0.48, as against the a request for Rs.1.48 per unit, was approved and shows that demand put forth was not meticulous</p>	<p>prevailing Regulations. HESCOM proposes the hike as per its projections, which are modified and validated by KERC. HESCOM incurred a loss of Rs.943.37 Cr with nominal increase in the tariff by 48 paisa per unit during FY17.</p>
<p>Commission's Views: The reply furnished by HESCOM is not satisfactory. HESCOM shall note that the losses in the company cannot be reduce by tariff revision alone. It has to improve its functioning aimed at increasing sales, and more effect billing and collection besides controlling the expenses. It has to reduce its distribution losses and plug leakages in order to reduce the power purchase costs.</p>	
<p>30. It is observed from the records that a substantial amount remains to be collected and the outstanding amount for FY17 is Rs.2210.82 Cr. In case, outstanding dues are collected, there would not be any deficit.</p>	<p>Collection of revenue arrears has no relevance to the tariff hike as the outstanding amount is already accounted as income for the respective financial year.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>31. It is highly illogical to seek a tariff hike, irrespective of the fact that the company makes any profit or otherwise. Therefore, an eligibility certificate in the prescribed format should be furnished by HESCOM for consideration of a tariff hike.</p>	<p>HESCOM furnishes compliance to all the directives of KERC and as such the need to furnish a certificate does not arise.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>32. Increase in the tariff and cross subsidy charges under open access, fuel adjustment cost and introduction of new methodology of preparing bills of open access consumers during FY18 has resulted in a sharp increase of 26% in power charges in comparison with earlier year.</p>	<p>Tariff hike is essential to meet the substantial increase in the cost of power purchase and other expenses including O&M charges.</p>
<p>Commission's Views: This issue has been appropriately dealt with in this Tariff Order in the relevant chapter.</p>	
<p>33. Inefficient management of HESCOM, which purchases power from all sources</p>	<p>It is not right to say that HESCOM purchases power at a low rate and sells</p>

at a low price and sells to the consumers at a higher price, is responsible for losses sustained and passing on the burden to the consumers.	to consumers at high price as the selling price includes various costs determined by the Commission.
Commission's Views: The reply furnished by HESCOM is noted.	
34. Monetary barriers imposed by the HESCOM make the open access power financially unviable for such industries, who wish to buy cheaper power under open access.	HESCOM is unable to accept the contentions of the objector as it works in accordance with the Regulations laid down by the KERC, CERC, GoK and other authorities.
Commission's Views: The reply furnished by HESCOM is noted.	
35. Southern Ferro the limited, a steel melting and rolling unit, with highest cost component attributed to the energy bill, states that acceptance of proposal of 18% increase in tariff for HT-2(a) consumers would adversely affect the industry.	HESCOM has proposed a tariff hike to all the categories of consumers to maintain its own financial balance and to work on the principle of "No profit and No loss".
Commission's Views: This issue has been appropriately dealt with in this Tariff Order in the relevant chapter.	
36. On account of steep increase in the cross subsidy charges from Rs.0.63 per unit in FY15 to Rs.1.52 per unit in FY18, an OA consumer, purchasing power from IEX, pays Rs.3.00 to all the stake holders, under different nomenclature, which is totally against natural justice.	Cross subsidy charges are determined by the KERC as per the Regulations to strike a balance between the consumers and distribution companies.
Commission's Views: The reply furnished by the HESCOM is noted.	
37. Analysis shows that there is an increase of 44.5% amounting to Rs.351 Crores, in the distribution ARR, as compared to the previous financial year, due to consideration of exceptional items such as adjustment of excess subsidy of Rs.102 Crores, 87% increase (Rs.157 Crore) in interest on loans and 38% increase in depreciation component.	HESCOM's calculation of distribution business ARR includes O&M expenses, capital works, fixed assets and servicing of debts etc. and the enhancement of ARR is due to increased costs under different heads. Accounting of Rs.102 Crores under exceptional items is on account of the KERC's direction to refund the excess subsidy pertaining earlier

	period (FY 09) to the Government and pass on the same to consumers.
Commission's Views: The reply furnished by the HESCOM is noted. The refund of subsidy was ordered during FY 09 by the Commission as the subsidy requirement as per the truing up order was found to be less than the estimates.	
38. KASSIA states that the application is not maintainable as it is not filed 120 days prior to the commencement of the ensuing financial year as required under the MYT Regulations.	HESCOM has filed the application before the KERC on 30.11.2017, for approval of APR for FY17, approval of revised ARR and ERC for FY19 and tariff petition of FY19.
Commission's Views: HESCOM has filed within the time limit its petition for truing-up for FY17 and determination of Annual Revenue Requirement for FY19 on 30 th November, 2017.	
39. HESCOM should clearly indicate the steps taken for improvement of efficiency and actual achievement ever since the issue of various orders by the Commission.	HESCOM has improved the efficiency in terms of loss reduction, effective implementation of capex programme, quality power supply etc. to the advantage of consumers.
Commission's Views: HESCOM's reply is noted.	
40. Recovery of Truing up cost of Rs.943.37 Crores for FY17 in FY19, after a lapse of 4 years should not be permitted as the ARR gap for FY19 itself is Rs.1371.50 Cr. Further, additional power purchased costing Rs.642.12 Crores during FY17, over and above the approved cost of Rs. 4933.47 Crores, has not gone to industrial sector as the consumption of industrial category has come down considerably. Additional energy perhaps has been consumed by non-subsidizing categories like IP sets etc. Hence, deficit for FY17 will be only Rs. 300.25 Crores	HESCOM has sought APR for FY17, the budgetary gap of which is to be carried forward as per the procedure followed since 2009. The amounts approved for different items by the KERC are tentative and the actual gap can only be determined after truing up and validation of expenditures based on the audited accounts. The actual gap is arrived at and transferred to the subsequent years only after truing up of FY17 to the revised projections of ARR and ERC of FY19.
Commission's Views: This issue has been appropriately dealt with in this Tariff Order in the relevant chapter.	
41. Consumer cannot be made liable	GIS Survey of 1, 58, 467 DTCs has been

for expenditure incurred by HESCOM for GIS mapping of DTCs, which has not yielded any benefit.	completed successfully as on 15.02.2018 and balance work would be completed soon.
Commission's Views: The reply furnished by HESCOM is noted.	
42. Frequent tariff increase need not be resorted to if actions are taken for recovery of arrears, prevention of theft of energy and reduction of system losses.	HESCOM is taking strict actions for recovery of arrears and prevention of theft of electricity.
Commission's Views: The reply furnished by HESCOM is noted.	
43. Necessity for hike in tariff should be explained as the Revenue from sale of power and approved ARR for FY19 are shown as Rs.7363/- Crores and Rs.7239.45 Crores. respectively with a revenue surplus of Rs.123.55 Crores.	Figures approved for FY19 are tentative and HECOM requests for a modification in view of the changed conditions in the power scenario.
Commission's Views: This issue has been appropriately dealt with in this Tariff Order in the relevant chapter.	
44. Any hike in tariff should be within $\pm 20\%$ of cost to serve, as per the Tariff Policy. It is not justified to revise the tariff without the approval of the Commission for HESCOM's "cost to serve". The tariff of HT-2(a) is assessed to come down by 50%, with discovery and application of cost to serve.	Cost to serve model of HESCOM, submitted to KREC, is yet to be approved. However, it is held by KERC to consider the average cost of supply in lieu of cost to serve. All efforts are being put forth by the HESCOM to find out the voltage-wise cost. It is inevitable in the present condition that the consumers having high paying capacity, especially HT and commercial, have to bear the cross subsidy, to be maintained within a range of $\pm 20\%$.
Commission's Views: The tariff approved by the Commission is on the basis of average cost of supply. The cost to serve model is yet to be implemented as it will have far reaching consequences on all the other consumers' tariff. The Commission, in its Tariff Orders, has been indicating the cross subsidy levels based on cost to serve as well as average cost of supply. The Commission's endeavor is to reduce cross subsidies gradually.	
45. As per Section 23 of the Electricity	Load shedding in HESCOM is resorted to

<p>Act, load shedding should be done with the approval of the KERC as the un-scheduled load shedding adversely affects the Industries. HESCOM resorts to load shedding without making alternate arrangements in violation of the Act.</p>	<p>only in case of maintenance works with prior notification in the newspaper and SMS. The unscheduled load shedding, resorted to for the reasons beyond its control, is to maintain the system in a secure and healthy condition.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>46. Mode of adjustment of Rs 3.58, being the difference of average cost of supply of Rs.5.96 and tariff charged to IP sets at Rs.2.38, should be furnished. The subsidy paid by the Government to offset the large gap in the power supply to the agricultural sector should be furnished.</p>	<p>Average cost of supply approved by the KERC for FY18 is Rs. 6.43 per unit and the Commission determined tariff for IP sets is Rs. 6.04 per unit, arrived at by considering the cross subsidy component from others.</p>
<p>Commission's Views: This issue has been appropriately dealt with in this Tariff Order in the relevant chapter.</p>	
<p>47. Details of HT installations are not furnished in the Format D-18, whereas, demand, collection and balance details of LT installations are provided. Further, the collection efficiency is also not furnished</p>	<p>Details of HT installations in format D-18 was omitted by oversight. However, it is available in the soft copy of application hosted on HESCOM's web-site. A copy of extract pertaining to the HT installations is enclosed for reference.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>48. Failure of HESCOM to improve the efficiency of operation with implementation of the directives of KERC, makes it ineligible to seek any hike in tariff and its petition in the present form is impugned and neither justifiable nor maintainable.</p>	<p>Improvement of efficiency in operation of HESCOM can be observed in many fronts such as NJY project, R-APRDP project, IT initiatives and reaching a sale of 10000 MUs, second only to BESCO in Karnataka.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>49. KASSIA wants the ToD tariff to be made optional as against HESCOM's request for continuation of the same. In this regard KASSIA quotes Hon'ble APTEL Order in Jaipur Vidyuth Nigam and others</p>	<p>HESCOM insists for continuing the prevailing TOD tariff, in order to control the peak load and comparison of different utilities in respect of TOD will not be fair as power supply conditions differ</p>

<p>V/s. RERC (2014 ELR, APTEL 0134), wherein, Hon'ble APTEL has upheld the order of RERC in rejecting the prayer of JVVLL and others to approve ToD. HESCOM has not furnished the analysis in respect of reduction in peak load by introducing the ToD.</p>	<p>from one State to the other.</p>
<p>Commission's Views: The reply furnished by the HESCOM is acceptable. The Commission however notes that the ESCOMs are not analyzing the impact of the ToD tariff to know its advantages and disadvantages. The HESCOM is therefore directed to report the impact of the ToD tariff and suggest whether any changes are required in the current arrangement.</p>	
<p>50. HESCOM is yet to provide the Timer Switches for the street light installations even after a lapse of 5 years.</p>	<p>Installation of timer switches to street light comes under the purview of local civic bodies. HESCOM is prevailing upon the Civic Bodies for installation of the timer switches for street lights. However, the new installations are serviced with LED bulbs and timer switches only.</p>
<p>Commission's Views: In order to conserve energy, the Commission has directed the ESCOMs to install timer switches. The HESCOM shall pursue the matter with the civic authorities and ensure that timer switches are installed to all the street light installations.</p>	
<p>51. KASSIA insists for independent feeders for the Industries to minimise interruptions.</p>	<p>HESCOM is trying at its best to provide separate feeders to industries, wherever possible.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>52. Solar heating greatly helps in bringing down the morning peak load and the present solar rebate should be continued. HESCOM to furnish the details of installations yet to be serviced with solar water heaters</p>	<p>HESCOM has proposed continuance of present rebate for installing the solar water heating system, mandatory for certain categories of consumers as per conditions of supply formulated by KERC.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>53. Contrary to the HESCOM's projection of completing 3rd phase work of Niranthara Jyothi by March, 2017, 42</p>	<p>The status of Nirantara Jyothi project has been furnished in the application. NJY feeders are getting 24 hours of power</p>

<p>feeders were pending even by November, 2017 and no deadline for completion of the work is provided. HESCOM should quantify the improvement in power supply to rural areas and reduction in losses. Niranthara Jyothi scheme being a welfare activity for the Rural consumers, the entire cost of NJY should be borne by the Government.</p>	<p>supply after segregation. The cost of the project is borne by the HESCOM, with partial grants from the GOK.</p>
<p>Commission's Views: Reply furnished by the HESCOM is acceptable. Nevertheless, the Commission is reviewing the matter regularly.</p>	
<p>54. Details of expenditure for HVDS, which brings down the losses by 8-10%, should be furnished along with assessment of reduction of losses</p>	<p>Implementation of HVDS in HESCOM requires a huge outlay in view of adverse geographical conditions and running of LT lines for long distances. However, HESCOM is making a study of HVDS through a pilot project.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>55. HESCOM proposed during 2013, to replace 10000 low efficiency pumps with high efficiency pumps, which would save about 30% of IP consumption apart from bringing down the demand. But, mere 590 pump sets are installed till date and there is no time-frame for completion of the balance work.</p>	<p>Implementation of DSM in agricultural sector is being studied through pilot projects in Nippani and Byadagi and HESCOM is following up with BEE, the implementing agency, to sort out the differences in finalizing the pilot projects.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>56. Despite the Commission's direction to HESCOM to complete the metering of DTCs by 31.12.2010, 4810 DTCs are yet to be metered.</p>	<p>Details of metering of DTCs is furnished in the application. 40793 DTCs are awarded for metering, out of which metering is in progress in 35893 DTCs with establishment of Communication with about 25866 meters. Energy audit for FY17 for 11 KV feeder and DTCs has been submitted to KERC.</p>
<p>Commission's Views: The reply of the HESCOM is acceptable. The Commission is regularly reviewing the compliance of its directives by the HESCOM.</p>	

<p>57. Energy audit of 16 towns reveal that losses recorded are more than 10% in 12 towns with a few DTCs recording negative losses ranging from 227% to 1133%. HESCOM to arrange for calibration of meters and setting right the records.</p>	<p>Loss records of 15 towns out of 16 is less than 15% and action is being taken to maintain the loss level in towns to below 15%. No negative losses are indicated by HESCOM.</p>
<p>Commission's Views: Though the details of energy audit are being furnished to the Commission, it is observed that, there are several data inconsistencies, giving inaccurate results. The HESCOM has been directed to rectify them and furnish more consistent data Compliance to these directions will be monitored by the Commission.</p>	
<p>58. HESCOM shall have action plan to reduce the accidents and carry out periodical maintenance works instead of emergency works</p>	<p>HESCOM is making all efforts to prevent electrical accidents by identifying the hazardous locations, taking up proper maintenance works and educating the consumers.</p>
<p>Commission's Views: The reply furnished by the HESCOM is noted. The Commission, apart from issuing suitable directions to the HESCOM on this issue, has been reviewing the compliance regularly.</p>	
<p>59. In the tariff petition, HESCOM has not furnished the HT/LT ratio, which was assured to be brought down to 1:1.60 in the earlier petition, though the Commission directed for an achievement of HT/LT ratio at 1:1.</p>	<p>HESCOM consists of areas dominated by Agriculture Sector, where the LT lines run for long distances to cater to IP set consumers. Hence, an ideal HT:LT ratio is not feasible for rural areas, but, will be maintained within permissible limits in urban areas.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>60. Details of number of DTCs feeding the IP sets, provision of meters for additional DTCs, metering of DTCs etc. are not furnished.</p>	<p>At present the consumption of IP sets is arrived on the basis of feeder-wise consumption in respect of segregated IP set feeders. The details of DTC metering are furnished in the application.</p>
<p>Commission's Views: Reply furnished by the HESCOM is noted.</p>	
<p>61. HESCOM should furnish an Annual abstract of feeder-wise Reliability Index, details of feeders with reliability Index</p>	<p>Details of reliability index are furnished in the application.</p>

within and beyond permissible limits.	
Commission's Views: The reliability indices, as submitted by the ESCOMs, are being hosted on the Commission's website and are also reviewed by the Commission.	
62. HESCOM should furnish the number of IP sets after enumeration and its difference from DCB figures and effect on receipt of subsidy.	Enumeration of IP sets has been completed to an extent of 95.71%. ie., 647374 IP sets, out of a total of 676369 IP sets have been mapped out and incorporated in DCB as on 31.01.2018. Number of unauthorized IP sets, as on 31.01.2018, as per GPS based survey, is 197588.
Commission's Views: Reply furnished by the HESCOM is noted. The unauthorized IP sets found should be brought on record in order to account the energy and claim subsidy from the government.	
63. Poor Progress of metering of IP sets is a clear violation of Sec. 55 of the EA, 2003. The assessment of IP set consumption, being made on the basis of sample metering, is questionable in the absence of metering of all IP Sets.	In view of strong agitation by farmers, it is not possible to fix the meters to IP sets. However, new installations are provided with meters.
Commission's Views: The reply furnished by HESCOM is acceptable. The Commission in the Tariff Order has given suitable directions for correct assessment of power consumption by IP Sets even where it is not feasible to immediately install individual meters.	
64. HESCOM has not furnished the details of failure of distribution transformers, learnt to be as high as 12% because of improper maintenance.	Details are furnished on Page No. 140 of the application and suitable action is being taken to reduce the rate of failure of transformer.
Commission's Views: The reply furnished by the HESCOM is acceptable.	
65. HESCOM is furnishing the distribution losses but not ATC losses.	Losses furnished by HESCOM includes both Technical and Commercial losses.
Commission's Views: The reply furnished by HESCOM is noted.	
66. Stipulations for consumption of the banked energy within 3 months should be relaxed up to 12 months.	As per the KERC Order, dated 09.01.2018 regarding banked energy and the banking period for the non-REC route

	based REC projects, opting for wheeling, is reduced from the existing one year to six months.
Commission's Views: The reply furnished by HESCOM is noted.	
67. HESCOM does not monitor the implementation of standards of performance.	Implementation of SOP are being monitored at sub-divisional and SO level.
Commission's Views: The reply furnished by HESCOM is noted.	
68. HESCOM does not comply with various directives of the Commission.	All directives of the Commission are complied with and reports submitted to the Commission regularly.
Commission's Views: The reply of the HESCOM is acceptable. The Commission is regularly reviewing the compliance of the HESCOM in the matter.	
69. KASSIA submits that the directives of the Commission in the tariff Orders regarding universal metering, cost of supply, paying capacity and pre-paid meters etc are of continuing nature and be treated as directives in the subsequent orders also.	HESCOM is taking action to comply with all the directives of the Commission.
Commission's Views: The reply of the HESCOM is acceptable.	
70. Software companies should be brought under commercial tariff as they have a comfortable paying capacity. HESCOM has not achieved segregation of technical and commercial losses as per the Tariff Policy.	The HESCOM abides by the order of the KERC on the issue of tariff category. Segregation of losses is not done in HESCOM.
Commission's Views: HESCOM's reply is noted. The tariff categorization is discussed in the relevant chapter of this tariff Order. HESCOM is directed to segregate technical and commercial losses in order to reduce them and improve its revenues. Report thereon shall be submitted to the Commission within three months from the date of this Tariff Order.	
71. To encourage Solar water heaters, green energy rebate should be continued and enhanced to Rs.100/-	HESCOM insists on continuation of present solar rebate of 50 paise per unit.
Commission's Views: HESCOM's reply is noted and the matter has been dealt suitably	

in the relevant chapter of this Tariff Order.	
72. HESCOM should produce subsidy allocation letter.	Government has not issued any subsidy allocation letter. However, the subsidy is worked out on the basis of CDT in respect of BJ, KJ and IP set installations.
Commission's Views: The reply furnished by HESCOM is noted.	
73. Specific consumption of IP sets for FY19 is taken as 9195 units per IP set per annum, whereas, the commission's approval was for 8244 units. Hence, HESCOM arbitrarily determines specific consumption to adjust the distribution losses.	The specific consumption fixed by KERC at 8244 units was based on the consumption derived on sample readings of IP set dominated DTCs. But, the IP set consumption is being assessed now on the basis of dedicated IP set feeders under NJY scheme, as per the directions of KERC.
Commission's Views: Reply furnished by the HESCOM is acceptable. Necessary directions have been issued to the HESCOM in the matter.	
74. HESCOM has not furnished the details of number of average duration of interruptions per consumer.	Details of interruptions in power supply are furnished in page No:139 of application.
Commission's Views: HESCOM's reply is noted. The compliance to directives is discussed in the relevant chapter of this Tariff Order.	
75. Consumer indexing started by HESCOM long back is yet to be completed.	Consumer indexing is nearing completion in HESCOM.
Commission's Views: HESCOM's reply is noted. Regarding the consumer indexing, HESCOM is directed to update the consumer data on a regular basis.	
76. Inefficiency of HESCOM is reflected with the poor status of GPS Survey of DTCs going on for a long time.	GPS survey is being carried out in R-APDRP area and GIS mapping of DTCs non-RAPDRP area.
Commission's Views: The reply furnished by HESCOM is noted. HESCOM shall speed up the survey by regularly monitoring its progress.	
77. Vigilance cases should be registered by the Assessing Officer instead by the Police.	Vigilance squad under Police Dept. comes under the purview of GOK.

Commission's Views: The HESCOM is directed to strictly adhere to the provisions of the Electricity Act, 2003 and the relevant Regulations, while booking cases for theft of electricity.	
78. Interest payable to the generators because of delayed payments by HESCOM, should not be passed on to the consumers.	HESCOM has made the provision for payment of interest on delayed payment to IPPs.
Commission's Views: The Commission is not allowing any interest on the delayed payment of power purchases in the ARR as HESCOM is allowed interest on working capital as per the MYT norms.	
79. HESCOM should participate in the debt restructuring scheme called UDAY of Gol.	HESCOM is a participating member in UDAY.
Commission's Views: The reply furnished by HESCOM is noted.	
80. Average cost of hydel and thermal powers are 84.31 and 435.51 paise per unit respectively and HESCOM should draw more of hydel power.	Hydel power is not available in abundance due to scarcity of rains.
Commission's Views: HESCOM's reply is noted. The details of Power purchase are discussed in the relevant chapter of this Tariff Order	
81. A mere 0.13% of HT consumers contribute 31% of revenue and of late, HT consumption is declining owing to open access. Any further increase of the fixed cost will force more HT consumers to opt for open access.	Reduction in HT-2(a) consumption is mainly due to the facility of Open Access and HESCOM cannot prevent the consumers from opting for open access.
Commission's Views: HESCOM's reply is noted. The tariff to various categories is discussed in the relevant chapter of this Tariff Order.	
82. Small scale industries, who strive to compete in the global market should be given a concessional tariff at Rs.1 less than the industrial tariff.	Passing on the revenue burden, caused by reduction of the tariff for small scale industries, on to the other consumers is not acceptable.
Commission's Views: The retail tariff to the consumers is being fixed keeping in view the recovery of average cost of supply and the cross subsidy levels with reference to the average cost of supply. Fixing a tariff below the cost of supply would entail meeting the balance cost either by Government subsidy or through cross-	

<p>subsidization. Extending concessions to small scale industries would result in increase in cross subsidy levels of other categories of consumers, which is not permissible under the Tariff Policy.</p>	
<p>83. HESCOM has not disclosed plans for the introduction of prepaid meters as provided under Section 47(5) of the EA, 2003. If Power supply through prepaid meters is introduced, the consumer need not deposit Monthly Minimum Energy charges</p>	<p>HESCOM is taking up the installation of prepaid meters for LT-7 consumers as a pilot project and further action will be based on the results of pilot project.</p>
<p>Commission's Views: HESCOM's reply is noted. Since the pre-paid meters are very expensive, its installation has to be done in a phased manner. The HESCOM is directed to abide by the provisions of the Electricity Act, 2003 and the Regulations issued by the Commission regarding the security deposit.</p>	
<p>84. HESCOMs is still servicing installations without meters, though Section 55 of the EA, 2003 bars servicing of installations without a meter</p>	<p>No new installations are serviced without meters and only the existing IP sets are to be metered.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>85. Energy-intensive units such as foundries, forging shops, heat treatment shops, blow moulding units, steel mills etc., are under serious threat of closure due to high power cost and only a substantial reduction in tariff can ensure their survival in Karnataka.</p>	<p>HESCOM opposes any reduction of Tariff in respect of energy-intensive units, as the burden will have to be passed on to other categories.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>86. KASSIA apprehends that passing through of tariff proposal would cause irreparable losses to the industrial consumers. The estimated captive generation is about 4682.91 MU and industrial consumers are likely to move away from the grid in case of hike in tariff. The Commission should endeavour to balance the cross subsidy appropriately while determining the tariff.</p>	<p>Consumers with high paying capacity have to bear the cross subsidies till such time favorable conditions emerges in the power sector.</p> <p>The tariff hike as proposed by HESCOM in its application is very essential to maintain its financial balance.</p>
<p>Commission's Views: HESCOM's reply is noted and the matter of cross subsidy charges</p>	

is appropriately dealt with in the relevant chapter of this Tariff Order.	
87. Open access may be extended to the consumers drawing power below 1 MW.	HESCOM opposes permitting the open access facility for consumer drawing power below 1 Mw.
Commission's Views: HESCOM's reply is noted. As per the current Regulations, open access is permissible for consumers with a CD of 1MW and the issue of extending the open access to consumers having CD of less than one MW would be examined at the appropriate time.	
88. HESCOM should extend a greater relief to rural industries with reduction of tariff.	HESCOM is in favour of removing the discrimination between urban and rural consumers.
Commission's Views: The Commission has been approving differential tariff to urban and rural areas currently, there is no case for further redirection to rural industries.	
89. An annual report of ESCOMs should be published by KERC duly furnishing the breakup of accumulated losses, efficiency, improvements etc.	Publishing Annual reports of ESCOMs by KERC does not come under the purview of HESCOM.
Commission's Views: The Electricity Act, 2003, does not provide for publication of the Annual Report of ESCOMs.	
90. Power tariff in Karnataka should be much lower in comparison with the tariffs of the other states, as Karnataka has cheaper hydel resources.	Comparison of tariffs of different States is not proper as the conditions determining the tariff are different from State to State.
Commission's Views: The reply furnished by HESCOM is noted..	
91. The supply to Agricultural pump sets is increasing year on year and since the metering of IP sets are still under progress in all ESCOMs, the actual consumption from IP sets is not transparent which is distorting the industrial tariff. IP set consumption constitutes 33% of total energy sales in Karnataka. The cost of power used by IP sets is subsidized by other categories of consumers, mainly from industrial sector.	HESCOM consists of areas mainly dominated by the agriculture and approximately 55% of sales go to Agriculture Sector. GoK provides subsidy to HESCOM in view of extension of free supply to IP sets of 10 HP and below. The subsidy is based on the tariff determined by the Commission, duly accounting the cross subsidy paid by the other categories. At present, the IP set consumption is arrived on the basis of the

	segregated IP set feeder consumption, which is more precise and transparent than the earlier sample readings.
Commission's Views: The reply furnished by HESCOM is noted.	
92. One of the consumers organisation objects to the terms of the KERC Regulations for the payment of subsidy by State Government. As per Regulations, 2008, GoK is required, to pay the quarterly subsidy in advance during the months of April- July-October & January.	Release of subsidy by GoK in advance every quarter is not sufficient to meet the power purchase cost. The collection of revenue allows a cash flow spread over the year, whereas, the power purchase charges are to be paid at once. Further, delays in the payment of bills for Govt. installations also add up to the crunch in cash flow and HESCOM experiences difficulty in arranging payment to the IPPs, making it inevitable to pay interest for the delay, which is not reimbursed by the GoK.
Commission's Views: The reply furnished by the HESCOM is acceptable. However, HESCOM shall endeavor to recover the arrears of subsidy and other receivables from the Government to mitigate cash flow problems and to reduce the cost of borrowing to meet the deficit. The Commission ensures in its tariff orders that such cost does not exceed the normative expenditure approved by it.	
93. ESCOMs, who levy a penalty for installations with power factor lower than 90%, should consider extending some incentives for maintaining power factor above 90%.	HESCOM is opposed to any rebate being given to consumer for maintaining higher PF, which benefits the consumer.
Commission's Views: The reply furnished by HESCOM is noted. It may be noted that maintenance of PF at the required level only helps the consumers in terms of better voltage and quality of power used by them and hence the question of giving a rebate will not arise.	
94. ESCOMs should publish the names of consumers with a large revenue arrears and action taken to recover the dues. The revenue realisation from vigilance cases also to be included in the tariff petition.	Publication of list of large defaulters of revenue payment in the newspapers will be revived.

Commission's Views: The reply furnished by HESCOM is noted.	
95. Furnish a time frame to comply with directives of the Commission to complete the installation of meters at the DTC level, to efficiently conduct Energy Audit. The reports reveal that merely 44% of work has been completed till October, 2016.	Details of the metering of DTCs, being carried out on a war footing are furnished in the application.
Commission's Views: The reply furnished by the HESCOM is noted. However, the Commission emphasizes that, conducting energy audit is the only way for plugging the leakage and to make the HESCOM viable both technically and financially.	
96. Even without completion of works under NJY scheme, there are instances of misuse of NJY feeders by IP sets causing huge revenue loss.	3 rd phase works are underway and due precautions are being taken to prevent the misuse of NJY Feeders by the IP set consumers.
Commission's Views: The reply furnished by HESCOM is noted.	
97. Commission should direct all the licensees to effectively educate industrial and commercial consumers to understand the provisions of the Electricity Act and the KERC Regulations.	A sum of Rs.0.50 lakhs, per year is earmarked towards imparting training to consumers through media, workshops etc. Further improvement in this regard will be made as suggested.
Commission's Views: HESCOM should educate the consumers by utilizing the fund provided in the ARR.	
98. Functioning of CGRF should be improved by providing adequate training and conducting refresher courses for the members.	Wide publicity is being given to make the consumers aware of the benefits of the CGRF and the KERC is providing adequate training to CGRF members.
Commission's Views: The reply furnished by HESCOM is noted.	
99. Fatal / non-fatal accidents to the non-departmental persons are on rise day by day and ESCOMs should properly educate the consumers for prevention of accidents.	Action taken by HESCOM to prevent the accidents is furnished in the application. Earnest efforts are being put to educate the consumers regarding safety and prevention of electrical accidents through media, workshops, consumer charter, seminars etc.

<p>Commission's Views: HESCOM's reply is noted. The Commission directs HESCOM to take all the necessary precautionary measures and periodical maintenance to reduce accidents.</p>	
<p>100. In spite of collecting the full cost of meter/metering equipment as meter security deposit along with the application, ESCOMs fail to immediately release connections or replace burnt or defective meters owing to acute shortage of meters.</p>	<p>There is no shortage of meters in HESCOM. The burnt out meters and defective meters are being replaced as early as possible.</p>
<p>Commission's Views: The reply furnished by HESCOM is noted.</p>	
<p>101. Auditors have objected to for non-compliance of Accounting Standards, viz., AS-2, AS-10, AS-15, AS-22 and AS-28 and state that it would be difficult to determine the financial performance and status of the company.</p>	<p>AS-2: Inventories: Generation and consumption of electricity is dynamic in nature and as such, there would be no inventory of finished and work in progress with no greater financial implication due to non-compliance of AS-2.</p> <p>AS-10: property, plant and equipment: Provisions enunciated in AS-10 are being followed by the company except valuation of capital work in progress. The provisions of the ESAAR (Electric Supply Annual Accounts Rules) 1985 are being followed for valuation of CWIP/Fixed Released/scrapped Assets.</p> <p>AS-15: Retirement Benefits: Action is being taken as per instructions of P&G Trust, Bengaluru.</p> <p>AS-22: Accounting for Taxes on Income: The company has not recognized Deferred Tax Asset/Deferred Tax Liabilities so far. However, action will be taken to comply with this Accounting Standard in the ensuing accounting year.</p> <p>AS-28: Impairment of Asset: Action will be taken to comply with the Accounting</p>

	Standard during 2017-18, However, HESCOM Accounts are being complied every year as per the prescribed Accounting Standards.
Commission's Views: : The reply furnished by HESCOM is noted.	
102. Details of action taken to recover a sum of RS.1076.32 Crores, a trade receivable against the supply of power from 01.08.2008 to 31.01.2012 for IP set consumers, turned down for reimbursement by GoK should be furnished.	Outstanding dues from IP consumers as on 31.07.2008, has been brought to the notice of GoK and the dues will be continued under Trade Receivables until receipt of final decision from GoK.
Commission's Views: The reply furnished by HESCOM is noted. However, the HESCOM is directed to pursue the matter and get the amounts released by submitting full details of the claim.	
103. HESCOM should initiate legal action for settlement of the claims of Rs.27.03 Crores from Hukkeri Co-operative society towards subsidy receivables pertaining to FY06 to FY10.	Reconciliation of subsidy receivable from GoK is under process.
Commission's Views: : The reply furnished by HESCOM is noted.	
104. A company, which fails to put forth honest efforts to verify and take over the fixed assets/ immovable properties in 5 Districts, cannot protect the interest of the consumers.	Separate Registers are being maintained for fixed assets of each division and WDV and depreciation are calculated every year. However, any lapses in this regard would be looked into at the earliest.
Commission's Views: The reply furnished by HESCOM is noted.	
105. HESCOM's ARR for FY18 is Rs. 7093.73 Crores as against an approved ARR of Rs.6454.21Crores, an increase of Rs.639.52 Crores on account of increase in Extraordinary items, depreciation, interest and finance charges.	HESCOM has not proposed any modification of ARR for FY18, approved by KERC, in the present Petition. The tariff revision for FY18 has been ordered on 11.04.2017 and being charged to the consumers w.e.f 01.04.2017.
Commission's Views: Since the Financial year 2017-18 is not yet completed, HESCOM	

cannot file any application for APR for FY18 as the audited accounts are required to file the APR application.	
106. HESCOM's realisation of revenue of Rs.5695.59 Crores as against an expected revenue of Rs. 4933.47 Crores is 15.44% higher and there is also a marginal decrease of 1.22% over the approved cost in disbursement of interest on working capital and consumer deposits and as such there is no need for a hike.	Expenditure like cost of power purchase, constitutes a major portion of ARR, are beyond the control of HESCOM. In order to meet the growing demand for energy, HESCOM purchases the power at rates higher than the approved rates.
Commission's Views: HESCOM's reply is noted and the matter has been dealt with suitably in the relevant chapter of Tariff Order.	
107. TATA Motors Limited has sustained huge loss due to irregularity in power supply and load shedding. There are instances of 21 power interruptions totalling to about 43 hours. The interruptions in power supply compels the operation of DG set at a huge cost. It is applied for 110 kV source to improve reliability and enhance sanctioned demand.	Unscheduled power cuts are imposed due to natural conditions, technical break down etc. and HESCOM strives hard to minimize the power interruptions. The objector's application for 110 kV will be considered on merit as per rules.
Commission's Views: : HESCOM's reply is noted and the compliance to directives on interruption is discussed in the relevant chapter of this Tariff Order.	