

CHAPTER – 2

SUMMARY OF FILING & TARIFF DETERMINATION PROCESS

2.0 Background for Current Filing:

The Commission in its Tariff Order dated 30th March, 2016 had approved the ARR for FY17 to FY19 and the Retail Supply Tariff of BESCOM for FY17 under the MYT principles for the fourth control period of FY17 to FY19. BESCOM in its present application filed on 30th November, 2017 has sought Annual Performance Review for FY17 based on the audited accounts, approval of Revised ARR for the third year of the fourth control period i.e. FY19 and Revised Retail Supply Tariff for FY19.

BESCOM, in its application, has also made certain new proposals as discussed in the Chapter-6 of this Order.

2.1 Preliminary Observations of the Commission:

After the scrutiny of applications, the Commission communicated its preliminary observations to BESCOM on 18th December, 2017. The preliminary observations were mainly on the following points:

- Capital Expenditure
- Energy Sales
- Assessment of IP set consumption
- RPO Compliance
- Power Purchase
- Cross Subsidy Surcharge
- Distribution Losses
- Issues pertaining to items of revenue and expenditure
- Compliance to Directives.
- Financial implications on the new proposals.

BESCOM has furnished its replies to the Preliminary observations on 26th December, 2017. The replies furnished by BESCOM are considered in the respective Chapters of this Order.

2.2 Public Hearing Process:

As per the provisions of the Electricity Act 2003, the Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006, read with the KERC Tariff Regulations 2000, and the KERC (General and Conduct of Proceedings) Regulations, 2000, the Commission, vide its letter dated 29th December, 2017 treated the application of the BESCOM as a petition and directed the BESCOM to publish the summary of the application for APR of FY17, approval of Revised ARR for FY19 and retail supply tariff for FY19, in the newspapers, to call for objections, from the interested persons/stakeholders.

Accordingly, BESCOM has published the Notices in the newspapers as follows:

Name of the News Paper	Language	Date of Publication
The Times of India	English	02-01-2018 & 03-01-2018
Deccan Herald		
Kannada Prabha	Kannada	
Vijaya Vani		

The BESCOM's application on APR of FY17, Revised ARR for FY19 and Revision of Retail supply tariff for FY19, were also hosted on the web-sites of BESCOM and the Commission for the ready reference and information of the stakeholders and the general public.

In response to the application of BESCOM, the Commission has received ten statements/letters of objections. BESCOM has furnished replies to all these objections. The Commission has also held a Public Hearing on 19th February, 2018 at the Court Hall of the Commission in Bengaluru. The details of the written / oral submissions made by various stake holders and the response from BESCOM thereon have been discussed in **Chapter – 3** and Appendix-1, appended to this Order.

2.3 Consultation with the Advisory Committee of the Commission:

The Commission has discussed the proposals of the KPTCL and all the ESCOMs in the State Advisory Committee meeting held on 14th March, 2018. During the meeting the following important issues were discussed:

- Performance of KPTCL / ESCOMs during FY17
- Major items of expenditure of KPTCL / ESCOMs for FY19

Members of the Committee have offered valuable suggestions on the proposals. The Commission has taken note of these suggestions while passing the Order.