

BESCOM

Preliminary Observations on the revised ERC filing for FY08 to FY10 and tariff application for FY10

1. Provisional Accounts:

BESCOM has filed an application for Annual review of performance for FY08 to FY10 and for revision of tariff for FY10 vide its application dated 30th June 2009. The figures for the review of performance for FY08 & FY09 are based on audited accounts and provisional Accounts respectively. The figures for FY10 are based on revised estimates. While BESCOM has submitted the audited accounts for FY08, the provisional accounts for FY09 have not been submitted. The same shall be submitted to the Commission immediately.

- 2. Capital Investments:** The Commission has to undertake prudence check of the capex for FY08 & FY09. The Commission has made several observations on the details of capex for FY08. BESCOM is yet to furnish compliance on the said observations. For taking up the prudence check for FY09, BESCOM shall furnish the details of capex incurred for FY09 in the forms prescribed by the Commission. While submitting the same, BESCOM shall keep in view the observations made in respect of FY08 and ensure that same discrepancies are not repeated for FY09.

3. Distribution Losses:

a. As required under clause 2.5.1(d) of MYT Regulations, BESCOM has not filed:

1. Range of distribution losses projected for FY10

2. Trajectory of loss levels in respect of technical and commercial losses for FY10, backed up by proper studies to justify the loss levels indicated.

BESCOM shall comply with the provisions of MYT regulations in this regard.

- b. In the earlier filing also, BESCOM had informed that, it has proposed to conduct system studies to determine LT losses in various categories of feeders. BESCOM was directed to furnish the study reports at the earliest. Now in the present filing, BESCOM has again stated that the studies have been awarded to CPRI and reports would be furnished to the Commission. **BESCOM shall inform the time by which the studies would be completed and reports made available to the Commission.**

- c. BESCOM has stated that the energy flow diagram as per format D-19 is not submitted due to non availability of voltage wise losses. It is to be pointed out in this regard that BESCOM has furnished energy flow diagram under format D19 in its earlier ERC filings. Considering the fact that 100% metering is stated to have been achieved upto 11kv at interface points and as data on LT sales also being available, the reason for non-furnishing of energy flow diagram in the present filing is not justifiable. **BESCOM shall furnish energy flow diagram as per format D-19.**

- d. BESCOM has not filed the projected distribution losses for FY10 inclusive and exclusive of EHT sales separately as required under MYT Regulations. **The same shall be furnished.**

- e. The assessed consumption of BJ/KJ category for FY09 is indicated as 31.53MU at 12units per installation per month on page No 43. Whereas the same is indicated as 115.66MU based on 14.27 units

per installation per month on page No 45. **BESCOM shall clarify the correct data.**

4. Power Purchase:

a. The per unit cost of power purchase from various sources are different from the KERC approved rates for FY10 as per the MYT Order. For example,

In Paise per unit

Source	As approved in MYT Order	As per the Revised Filing dtd 30.06.09
Almatti	187.75	221.00
RTPS 1&2	189.53	209.82
RTPS 3	214.21	233.74
RTPS 4	327.23	342.91
RTPS 5&6	289.02	325.96
RTPS 7	271.33	307.56
RTPS 8	274.87	338.05
BTPS 1	201.60	321.31

BESCOM shall clarify the reason and the basis for considering the per unit rates different from the approved rates. Similarly BESCOM shall clarify as to the differences in per unit rate in respect of KPCL stations for FY08 & FY09.

b. In page 62 it is stated that '*an overall increase of 2.5% escalation is considered for FY10 over the average variable cost for FY09*'. However this has not been reflected in the cost projection shown in page No. 126 (Form D1) indicating source wise power purchase for FY10.

- c. The basis of projecting KPCL Thermal / Hydel energy for FY10 shall be furnished.
- d. The Source wise power purchase for FY09 indicates the unit rate for BTPS Unit 1 at Rs. 3.8856. **BESCOM shall clarify the basis for this rate. Also the date of commercial operation of BTPS Unit 1 shall be informed.**
- e. 695.24 MU has been purchased under Bilateral/UI Trading category in FY09. **BESCOM shall furnish source wise breakup of the units and cost of purchase under bilateral trading and under UI separately. The details of penalty paid towards overdrawl of power under ABT may also be furnished month wise for FY08 & FY09.**
- f. The Energy purchased from KPCL thermal source for FY09 and projected for FY10 is as follows:

Energy in MU			
Source	FY09	FY10	Difference
RTPS 1&2	1090.78	1367.54	276.76
RTPS 3	909.62	684.28	-225.34
RTPS 4	1382.71	1131.48	-251.23
RTPS 5&6	1403.91	1368.04	-35.87
RTPS 7	707.58	684.28	-23.3
RTPS 8		294.13	294.13
BTPS 1	255.28	1541.78	1286.5
Total	5749.88	7071.53	1321.65

BESCOM shall clarify the reasons for projecting lower quantum of purchase from RTPS 3, 4, 5, 6 & 7 units. If BESCOM is able to procure power at least to the extent of power purchased in FY09 from these sources, the projected procurement from Bilateral/UI/Trading sources would be reduced to that extent resulting in lower power purchase cost for FY10.

g. BESCOM shall furnish data pertaining to the quantum of NCE energy purchased for FY09 as per the orders of GoK issued under section 11 of Electricity Act. Purchases including quantum and rates from those covered under PPA and those not covered under PPA shall be furnished separately in the following format:

Sl.No,	Name of the supplier	Covered under PPA			Not Covered under PPA		
		Qty(MU)	Rate	Amount	Qty(MU)	Rate	Amount

- h. The cost of power purchase indicated in page No. 35 and that in Format D1 for FY09 does not agree. **BESCOM shall clarify the correct figures.**
- i. The data pertaining to short term power purchase indicated in table on page35, table on page 36 and as per Format D1 for FY09 does not agree. **BESCOM shall clarify the correct figures.**
- j. The per unit rate in respect of Yelahanka DG plat has substantially increased for both FY08 & FY09. The reasons for the abnormal increase may be furnished.
- k. **BESCOM shall furnish copies of power purchase bills passed and paid by BESCOM for March 2008 and March 2009 in respect of all KPCL stations, CGS and major IPPs.**
- l. BESCOM shall furnish a copy of the G.O. regarding reallocation of PPAs by the GoK.

5. Reliability Indices:

BESCOM has not complied with the guidelines issued by the Commission on declaring Reliability Indices for District Head Quarters, Towns & Cities and Rural Areas. **BESCOM shall furnish such data for the period January 09 to April 09, forthwith.**

6. **O & M Expenses:** The O & M expenses as approved under MYT framework is based on norms as per MYT Regulations (performance base Regulations), which is formula, based. While proposing the review of these expenses, BESCOM has neither considered the inflation factor nor has proposed a mechanism for sharing of gains / losses on the differences between the approved and actuals for FY08 & FY09. In the MYT order, the Commission had considered an inflation factor of 5.37% based on the actual CPI and WPI for FY07. As per the MYT Regulations, inflation is an uncontrollable Parameter. Therefore while arriving at the cost as per the formula the actual CPI and WPI for FY08 & FY09 shall be considered. Under the MYT framework, the O & M expenses are controllable expenses and therefore should be worked out as per the formula as indicated in MYT order dated 11.01.2008 (page 141), besides proposing a mechanism for sharing of losses and gains for the difference between actuals and normative expenses approved.

7. Depreciation:

a) For FY10, the Depreciation has been computed at 4.42% as per CERC norms. The Commission has considered the depreciation rates as per MYT Regulations for the control period. Since the MYT Regulations, as existing now, are applicable for the entire control period, depreciation shall have to computed as per MYT Regulations.

- b) At page 28 of the filing, the Depreciation for FY08 has been computed on closing GFA, without considering 90% of the GFA. Further as per Form D-8 the Depreciation for FY08 is indicated as Rs.99.60 and withdrawal as Rs.51.54 Crores, whereas the same is shown at page 25 as Rs.83.77 Crores and 35.71 Crores respectively.
- c) The amounts in respect of Net Fixed Assets as per Form-D16 does not match with figures of NFA in Form A-2 (balance Sheet)

The correct figures may be confirmed.

- d) Addition to GFA for FY08 is indicated as Rs623.30 Crores and for FY09 as Rs.784.67 Crores at page 28 of the filing. Working details for these figures may please be furnished.

8. Return on Equity

For FY10, the RoE has been computed at 15.5% as per CERC norms. The Commission has considered the same at 14% as per MYT Regulations for the control period. Since the MYT Regulations, as existing now, are applicable for the entire control period, RoE shall be computed as per MYT Regulations.

9. Interest & finance Charges:

- a) The actual interest & finance charges as per accounts is Rs.172 crores & Rs.136 crores for FY08 & FY09 respectively. BESCO has claimed Rs. 126 crores for FY08 and Rs.130 crores for FY09 towards interest on working capital not depicted in accounts, in addition to the actual amount incurred. The basis for claiming interest on working capital of Rs.126 crores and Rs.130 crores for FY08 & FY09 respectively, may be furnished. The details of actual WC interest

incurred and the account head in which the same is depicted may also be furnished for FY08 & FY09. Since interest is a controllable expense as per MYT regulations, BESCOM shall propose the mechanism for sharing of gains & losses for the difference between actuals and approved expenses.

- b) The loan-wise details, as required under clause 3.8.1 of the MYT Regulations, are not furnished for calculation of interest in respect of FY08 to FY10. BESCOM has furnished only source-wise details of loans. Individual loan-wise details such as source, amount rate of interest etc., shall be furnished for the control period. Moratorium of loans repayment shall be indicated for all existing/ new loans.

10. Other Expenses/Other Debits:

BESCOM in its filing has included the following amounts towards other Expenses/ Other Debits.

Year	Amount
FY08	230.44
FY09	308.10
FY10	313.10

In this regards BESCOM's attention is drawn to the decisions of the Commission in Tariff Order dated 16.10.2006(page 57-59) and MYT Order dated 11th January 2008, wherein the Commission has considered the Bad debts written off as per actuals. The provision for Bad & doubtful debts have not been accepted by the Commission. In the light of this, the other expenses may be revised appropriately besides furnishing the following information:.

- a) the copies of the journal entries for FY08 & FY09 in respect of Provision for bad & Doubtful debts.
- b) Details of IP set arrears written off (during (during 2003 and onwards), subsidy received, amounts written off and the balance in the following format:

G.O. No.& Date issued for waiver of IP set arrears	Amount actually waived off by BESCO	Subsidy Received from GoK year wise towards waiver of IP set Arrears	Amount Written off , if any, by BESCO	Balance of subsidy to be received from GoK

- c) BESCO shall furnish the details of RE/Tariff subsidy claimed and subsidy released in the following format for FY08, FY09 & FY10:

Month/year	Amount of subsidy claimed	Amount of subsidy received	Balance	Remarks

11. Sales Forecast:

- a) There are differences between the no. of installations as well as energy between DCB statement/Accounts and D-2 statement in the following categories:

Difference in No, of Installation:

FY08 LT4a –difference between Audited accounts and D-2 statement.

FY09- LT4a, LT4b, LT3, HT2a difference between DCB & D-2 statement.

Difference in Energy:

FY09- BJ/KJ, LT3, LT4a & LT –6 Water Supply Difference between DCB & D2

- b) The no. of installations indicated in Statement D-21 does not match with no. of installations indicated in D-2 statement in respect of all categories. Reasons for the same may please be furnished.
- c) please furnish the details in respect of BJ/KJ installations as per the following format:

Sl.No.	Particulars	FY07	FY08	FY09	FY10 (Projection)
1	Opening Balance excluding Installations under RGGVY				
2	Planned additions excluding Installations under RGGVY				
3	Coverion of BJ/KJ to LT2a				
4	Closing Balance without RGGVY (1+2-3)				
5	Cumulative additions under RGGVY				
6	Closing Balance with RGGVY installtions (5+5)				
7	Mid-year No.				
8	Assessed monthly average consumption in units per installation (based on average metered consumption)				
9	Total consumption in MU (7X8) X12 months				

Further BESCO has stated that it has to service 5000 new installations during FY10. This figure includes the installations to be serviced under RGGVY. It has projected the no. of installations and

consumption for FY10 as **680553 nos.** and **116.52 MU**, respectively considering average consumption of 14.27 kwh/ installation/month recorded during FY09. **BESCOM shall furnish the basis for changing the specific consumption from 12 units per month in FY07 to 14.27 units in FY09.**

Further, it is noted that for FY08 & FY09, BJ/KJ consumption is indicated as 42.79 MU [Table at Pg 42] & 31.53 MU [table at pg. 43] whereas the same is indicated as 97.42 MU for FY08 [table at pg.25] and 115.66 MU [table at pg.25] for FY09. The correct figures shall be confirmed.

For LT2a details may please be furnished in the following format

Sl.No.	Particulars	FY07	FY08	FY09	FY10 (Projn)
1	No. of installations due to normal growth excluding RGGVY				
2	Annual Additions due to RGGVY				
3	Cumulative Additions due RGGVY				
4	Annual additions due to conversions of BJ/KJ to LT2a				
5	Cumulative additions due to conversion from BJ/KJ				
6	Total Installations (1+3+5)				

It is noted that for FY08 & FY09, metered sales is indicated as 11283.82 MU [Table at Pg 42] & 12188.65 MU [table at pg. 43] whereas the same is indicated as 11211.49 MU for FY08 [table at pg.25] and 12104.73 MU [table at pg.25] for FY09. Similar discrepancies are observed in respect of un-metered sales as well.

The data in respect of metered sales, un-metered sales and BJ/KJ consumption shown on page 42 for FY08 and page 43 for FY09 does not tally with data furnished for FY08 & FY09 in table shown on page 53.

The inconsistencies shall be rectified and correct figures shall be furnished.

d) FY10 Forecast

i) The sales growth rate for LT3 consumption is considered as 8.39% whereas the CAGR for the period FY05 to FY05 is 14.5% and for the period FY07 to FY09 is 11.95%. The rate of growth is on the lower side which may please be clarified.

ii) In respect of LT5 installations, though there is an increase in no. of installations there was decline in the energy sales. While projecting sales for FY10 BESCO has retained the sales at FY09 level. The basis for the same may please be furnished.

iii) LT6 –Water Supply: The sales growth rate in FY09 (as per DCB statement) over FY08 is around 13%. The CAGR from FY05 to FY09 is 9.6% and the CAGR for FY07 to FY09 is 12.4%. BESCO has assumed a growth rate of 23%, which is on the higher side. This may please be explained.

iii) IP sets :

The number of installations, specific consumption and the annual consumption approved for the control period is as indicated below:

Particulars	FY08	FY09	FY10
Mid-year number of installations	514424	516924	519424
Specific consumption	8188	8188	8188
Total Consumption /IP/Yr	4212.10	4232.57	4253.04

The mid year number of mid-year installations, specific consumption and the annual consumption as per the monthly reports for FY08 & FY09 is as under:

Particulars	FY08	FY09
Mid-year number of installations	481600	556003
Total Consumption-MU	3606.93	4053.59
Specific consumption/IP/Yr	7489	7291

The mid-year number of mid-year installations, specific consumption and the annual consumption as per the filing for FY08 & FY09 is as under:

Particulars	FY08	FY09
Mid-year number of installations	532698	555813
Total Consumption-MU	3606.90	4073.87
Specific consumption/IP/Yr	7285	7330

It is noted that there is a difference in specific consumption as well as mid-year number of installations as per ERC filings for FY08 & FY09 and as per monthly reports furnished by BESCO. The reasons for the same shall be explained.

Further, while arriving at the specific consumption, BESCO shall apply the loss levels as approved by the Commission in its MYT order dated

11.01.2008 [Page 90], which was based on the TERI study. BESCO shall accordingly furnish the revised projected consumption for IP sets for FY10.

iv) **Street lights:** BESCO has projected the no. of installations and consumption as **49902 nos. and 320 MU for FY10** assuming a growth rate of 18% over that of FY09 with an average consumption of 6412 kwh/installation/year of FY09.

As per D-21 format, connected load per installation is 9.60 kW. Therefore, on kW basis the specific consumption works out to 55.65 Units/kW/month. Since all the street light installations are metered, the consumption shall be based on metered readings for FY09. BESCO shall furnish the average consumption/kW/month as per metered readings.

12. D-21 Statement:

- a) The Details of Category wise, Slab wise revenue at the Existing Tariff & at proposed Tariff & the revenue Difference is not furnished in the D21 (a),D21 (b)& Abstract formats sent to BESCO vide this office letter no B/02/9/5634/25-02-09. The same may be submitted in the Format approved by the Commission
- b) Slab-wise details of no. installation in respect of LT2, LT3 & LT5 is not furnished . The same may be furnished.
- c) It is seen from the D-21 statement that a lumpsum amount has been added in the existing and proposed tariff in addition to the category-wise fixed and energy charge. The details of amounts (in Rs. Crores) added/deducted are as follows:

LT-1+0.42 ,LT-2(a)(i) -13.87,LT-2(a)(ii)-59.56, LT-2(a)(iii) -14.72, LT-2(b)(i) 0.96, LT-2(b)(ii) =+0.19,
 LT-3(i) =+12.45, LT-3(ii)=+5.93,
 LT-4(a)(i)=+148.78 , LT-4(a)(ii) =-1.58 , LT-4(b) =+0.04,LT-4 (c) =+0.11
 LT-5(a) =+11.32, LT-5(b) =-35.0 ,
 LT-6 (W/S)=+47.29, LT-6(SL)=+36.95
 LT-7 =wrong formula& -501.06,
 HT-1=+6.43, HT-2(a)(i) =+120.26, HT-2(a)(ii) =-82.269, HT-2(b)(i) =+53.40,
 HT-2(b)(ii) =+27.759, HT-3(a)(i) =+0.1, HT-3(a)(ii) =+0.466, HT - 3b =+.01,
 HT-4(a)=0.9345, HT-4(b) =-1.85 & -1.5, HT-4(c)=+0.0854

It appears that the percentages assumed for slab-wise consumption have not been properly arrived at and hence the revenues are not matching. The lumpsum amount cannot be added arbitrarily to tally with the average realization rate. In view of total computerization of the billing activity, the slab-wise consumption should be available for FY09. The same may be made use of and the existing and proposed revenue may be worked out in the format furnished by the Commission.

13. special Incentive Scheme:

BESCOM has proposed to revoke the existing special incentive scheme for HT2a installation. In this regard the following information shall be furnished:

Year	No. of Installations covered under the scheme	Units allotted in MU	Units actually availed	Revenue at Rs.3.80 per unit	Weighted Average power purchase cost per unit
FY08					
FY09					

14. The following information in respect of LT2(a) consumers availing solar rebate shall be furnished for FY09 =

No. of LT2(a) installations availing solar rebate	Consumption in MU of LT2(a) installations availing solar rebate

15. Computation of Surcharge & Wheeling Charges: In terms of clause 2.9.2 of MYT Regulations, ESCOMs are required to include determination of surcharge and wheeling charge in the tariff application, for the purpose of open access. The same has not been included in the tariff application. Hence the same may be furnished. While furnishing the computation of wheeling charge, the same shall be done voltage-wise.
