

# CESC

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

### **1. Provisional Accounts:**

CESC has filed an application for Annual review of performance for FY08 to FY10 and for revision of tariff for FY10 vide its application dated 30<sup>th</sup> 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 CESC 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. Comparison of Approved ERC figures**

For the purpose of Annual Review of performance for FY08 & FY09, CESC shall compare the Approved ERC figures with actuals and arrive at the difference and propose a mechanism for sharing of gains or losses in respect of controllable expenses. Whereas CESC has indicated only the ERC figures (as filed by CESC) and has not indicated any analysis as to the comparison of actuals with the ERC approved figures. In such a situation the Commission is unable to undertake any review of annual performance for FY08 & FY09. CESC is therefore directed to furnish revised formats for Annual performance review for FY08 & FY09 and revised Estimates for FY10 with ERC approved figures and actuals and to arrive at the differences thereon. CESC shall explain the reasons for the difference and proposes suitable mechanism of sharing of gains and losses for the controllable expenses.

### **3. Bifurcation of accounts:**

- a) As per clause 2.2 of KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail sale of Electricity) Regulations 2006, CESC is required to segregate its accounts between Distribution and Retail Supply. It is stated that the work of bifurcation is entrusted to consultant. The timeframe for completion of task may be furnished.

### **4. 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. CESC is yet to furnish compliance on the said observations. For taking up the prudence check for FY09, CESC shall furnish the details of capex incurred for FY09 in the forms prescribed by the Commission. While submitting the same, CESC shall keep in view the observations made in respect of FY08 and ensure that same discrepancies are not repeated for FY09.

### **5. Distribution Loss**

- a. As required to be furnished under clause 2.5.1(d) of MYT Regulations, CESC 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.

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

- b. CESC has not furnished energy flow diagram as per formats D-19 for FY08, FY09 & FY10. **CESC shall furnish the same as per format D-19.**

c. CESC has not filed the projected distribution losses for FY10 inclusive and exclusive of EHT sales separately. **The same shall be furnished.**

**6. 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**

<b>Source</b>	<b>As approved in MYT Order</b>	<b>As per the Revised Filing dtd 30.06.09</b>
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	326.40
RTPS 7	271.33	307.56
BTPS 1	201.60	321.31

**CESC shall clarify the reason for considering the per unit rates different from the KERC approved rates.**

b. Source wise power purchase as per format D1 for FY08 & FY09 has not been furnished. **CESC shall furnish the same.**

c. The basis of projecting KPCL Hydel / Thermal energy for FY10 shall be furnished.

d. The Source wise power purchase for FY10 indicates the unit rate for BTPS Unit 1 at Rs. 3.2131. **CESC shall clarify the basis for this rate. Also the date of commercial operation of BTPS Unit 1 shall be informed.**

e. Energy to an extent of 246.36 MU has been purchased under Bilateral/UI Trading category in FY09. **CESC shall furnish source wise the breakup of the units and cost of purchase under bilateral trading and that under UI**

**separately. CESC shall also furnish the details of penalty paid to CERC on account of over drawl under ABT month wise for FY08 & FY09.**

- f. CESC shall furnish a copy of the G.O. regarding allocation of PPAs by the GoK.
- g. The Energy purchased from KPCL thermal source for FY09 is 1311.2 MU and the projected quantum for FY10 is 1108.08 MU. Similarly the Energy purchased from Minor IPP source for FY09 is 485.02 MU and the projected quantum for FY10 is 421.94 MU. **CESSC shall clarify the reasons for projecting lower quantum of purchase from KPCL thermal and Minor IPPs.** If CESC is able to procure at least to the extent purchased in FY09 from these sources, the projected purchases from Bilateral/UI/Trading sources would be reduced to that extent resulting in lower power purchase cost.
- h. CESC 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

The Table 14 on page 28-29 indicates transmission losses of 7.29% for FY08, 5.94% for FY09. KPTCL has declared an average annual transmission loss of 4.37% for FY08 and 4.30% for FY09. **CESSC shall reconcile the data accordingly and furnish the revised figures.**

- i) CESC shall furnish copies of power purchase bills passed and paid by CESC for March 2008 and March 2009 in respect of all KPCL stations, CGS and major IPPs.

#### **7. Reliability Indices:**

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

- 8. O & M Expenses:** The O & M expenses as approved under MYT framework are based on norms as per MYT Regulations (performance base Regulations) which is formula based. While proposing the review of these expenses, CESC has neither considered the inflation factor nor has proposed a mechanism for sharing of incentive 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.

#### **9. Depreciation:**

The Depreciation has been computed 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 be computed as per MYT Regulations.

#### **10. Return on Equity**

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.

#### **11. Interest & finance Charges:**

- a) The details of WC interest computations for FY08-10 as claimed by CESC may be furnished. The details of actual Working Capital 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, CESC shall propose the mechanism for sharing of gains & losses for the difference between actuals and normative expenses. The WC interest for FY10 should be based on norms as per MYT Regulations. The same may be worked out and furnished.
  
- 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. CESC has furnished only source-wise details of loans. Individual loan-wise details such as source, loan amount, rate of interest etc., shall be furnished for the control period. Moratorium of loans repayment shall be indicated for all existing/ new loans.

- c) CESC has not furnished the details of Interest & Finance Charges in Form D-9 statement for FY08.

**12. Other debits/Expenses:**

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

Year	Other Debits	Provision for Bad & doubtful debts included in other debits
FY08	21.38	16.62
FY09	14.30	11.71
FY10	61.49	12.88

The Commission in its MYT order dated 22<sup>nd</sup> January 2008 had decided that the provision for bad debts etc, cannot be estimated over a three year period and hence had not allowed the said provision. The Commission had decided to allow the bad debts actually written off (as per actuals) for which CESC has to submit specific proposals to the Commission. In the light of this CESC shall suitably revise the proposal for other debit

**13. Sales Forecast:**

- a) CESC has assumed 7% growth rate over FY09 sales for all categories uniformly to project sales for FY10. CESC shall furnish category-wise projections based on previous three years data.
- b) For BJ/KJ installations, please furnish the details 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	Conversion of BJ/KJ to LT2a				
4	Closing Balance without RGGVY (1+2-3)				
5	Cumulative additions under RGGVY				
6	Closing Balance with RGGVY installations (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				

Similarly 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)				

**c) BJ/KJ :** As per D2 statement, the average consumption works out to 8.97 kwh/installation/month for FY09. CESC has considered a growth of 7% and projected the no. of installations and consumption for FY10 as **541562 nos. and 58.35 MU**, respectively in the filing. During FY09 the growth of BJ/KJ installations is 31.10 % as per D2 statement. The Commission had approved the specific consumption of 10 kwh / installation/month for FY08, 09 & 10 in the MYT Order, 2008.

As per statement at page 24 of the filing, CESC has furnished the no. of installations and consumption for FY08 as 315046 and 44.00 MU, respectively. The Commission had approved the no. of installations and consumption for FY08 as 290012 and 31.18 MU, respectively. CESC has to explain the basis on which these figures are arrived at.

Considering midyear no. of 364052 of FY09 and specific consumption of 10 units/ installation/month, consumption for FY09 works out to **43.68 MU**. Considering growth of 7% (as stated by CESC in the filing), the total no of installations for FY10 works out to 441972 nos and the consumption @ 10 units per instillation per month works out to 44. 20 MU as against 58.35 MU projected by CESC. As CESC has achieved 100% metering of BJ/KJ installations, CESC shall furnish the average monthly consumption per installation for FY09.

**d) d) 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	193462	196462	199462
Specific consumption	6384	6384	6384
Total Consumption	1235.06	1254.21	1273.36

The number of 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	182149	191801
Total Consumption-MU	1091.03	1181.74
Specific consumption/IP/Yr	5990	6161

The 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	181804	191188
Total Consumption-MU	1402.03	1521.27
Specific consumption/IP/Yr	7712	7957

**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 CESC. The reasons for the same shall be explained.**

**Further, while arriving at the specific consumption, CESC shall apply the loss levels as approved by the Commission in its MYT order dated 22.01.2008 [Page68], which was based on the TERI study.**

**e) Streetlights:** CESC has projected the no. of installations and consumption as 17678 and energy as 85.60 MU for FY10 . The basis for the projections may be furnished. Since all the Street lights installations have been metered, CESC shall furnish specific consumption per kw per month based on the metered consumption for FY09.

#### **14. D-2 Statement**

In D-2 Statement the figures for FY08 are not furnished. The same may be furnished by submitting a revised D-2 Statement. Further the no. of installation in respect of LT4a(i) are in D-2 statement are not agreeing with statement D-21.

### 15. 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 CESC by the Commission vide this office letter no B/02/9/5634/25-02-09. The same may be submitted in the Format approved by the Commission. Since billing activity has been fully computerized, the slab-wise fixed and energy charges shall be computed with reference to the actuals for FY09, instead of taking samples for the slab-wise consumption.

### 16. special Incentive Scheme:

CESC 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					

### 17. Details of Subsidy

a) Details of IP set arrears written off (during 2003 & onwards), subsidy received, amounts written off and the balance in the following format:

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

b) CESC 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

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

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

**19. 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.

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