

# Salient Features of the ESCOMs' Tariff Orders 2009

## **KERC Approves Revision of Retail Supply Tariff of ESCOMs for FY10**

***KERC has approved revision of retail supply tariff of five ESCOMs, applicable for the financial year 2009-10. The highlights of the order dated 25<sup>th</sup> November 2009 are as under:***

**I. Tariff Applications:** The following Electricity Supply Companies (ESCOMs) had filed tariff applications for revision of tariff for FY10 on 30<sup>th</sup> June 2009. They had also filed details for Annual Review of Performance for the years FY08 & FY09:

1. Bangalore Electricity Supply Company Ltd., Bangalore (BESCOM)
2. Mangalore Electricity Supply Company Ltd., Mangalore (MESCOM)
3. Chamundeshwari Electricity Supply Corporation Ltd., Mysore (CESC)
4. Hubli Electricity Supply Company Ltd. Hubli (HESCOM)
5. Gulbarga Electricity Supply Company Ltd. Gulbarga (GESCOM)

**II.** ESCOMs have submitted that they are filing the ERC & Tariff revision applications on account of overall increase in cost of operations and increase in cost of power purchase and other expenses and due to non-revision of the tariffs for the last four years on account of pending appeals before the Hon'ble Appellate Tribunal (ATE). The details of the Revenue, expenses, revenue deficit, increase in tariff sought, as per the application filed by the ESCOMs, are as under:

**Rs. In Crores**

<b>Particulars</b>	<b>BESCOM</b>	<b>MESCOM</b>	<b>CESC</b>	<b>HESCOM</b>	<b>GESCOM</b>	<b>Total</b>
Total Expenditure (ARR)	8458.28	1339.60	1616.84	2574.65	1900.47	15889.84
Total Revenue at the existing rates	6626.87	922.45	1012.04	1379.25	1218.68	11159.29
Revenue Gap before Government Subsidy	1831.41	417.15	604.80	1195.40	681.79	4730.55
Subsidy as considered by ESCOMs	137.00	166.00	346.00	488.00	270.00	1407.00
Revenue Gap After Subsidy	1694.41	251.15	258.80	707.40	411.79	3323.55
Increase in Tariff sought –Paise per unit	51	51	51	51	51	-

Additional Revenue through tariff Revision	894.50	149.00	186.14	284.24	229.03	1742.91
Percentage increase sought	13.56%	16.61%	19.59%	22.99%	20.28%	16.12%
Uncovered Gap to be treated as Regulatory Asset	799.91	102.15	72.66	423.16	182.76	1580.64
Average Cost of supply on proposed ARR - Rs per unit	4.81	4.56	4.43	4.39	4.09	4.58

**III. Processing of Application & Public Consultations:** The Commission, after preliminary examination of the proposals, had sought additional information/clarification on several issues. The Commission had also invited objections from the general public/ consumers and other stakeholders. In addition, Public Hearings were also held at the head quarters of all the Companies to elicit further views of the consumers and others.

**IV. Issue of Tariff Orders:** After elaborate discussions and due consideration of the petitions and information furnished by the ESCOMs and the submissions of the consumers / general public, the Commission has determined and issued the tariff orders of all the five distribution companies. While determining the tariff, the Commission has considered the actual financial position of the ESCOMs and the paying capacity of each class of consumers and other relevant factors and also the provisions of the Electricity Act, 2003. The Commission, while determining the tariff, has tried to strike a balance between the interest of consumers and the ESCOMs to ensure that, the orders are fair and reasonable to all the stakeholders. A gist of the order indicating the approved ARR and the revised revenue for FY10 is given below:

Rs. In  
Crores

Particulars	BESCOM	MESCOM	CESC	HESCOM	GESCOM	Total
Approved Expenditure (ARR)	7381.92	1182.20	1525.42	2514.59	1833.69	14437.82
Total Revenue as per revised Tariff (other than BJ/KJ & IP Set installations)	6748.19	915.49	945.84	1280.06	1119.89	11009.47

Revenue Gap before Government Subsidy	633.73	266.71	579.58	1234.53	713.80	3428.35
Committed Subsidy	380.00	216.00	436.00	658.00	390.00	2080.00
Revenue Gap to be met through addl. Subsidy	253.73	50.71	143.58	576.53	323.80	1348.35
Approved Avg increase in Tariff – Ps. per unit	40.11	24.89	24.90	24.87	26.57	34.16
Additional Revenue through tariff Revision	538.01	51.33	49.02	65.70	63.06	767.12
Average Cost of Supply on approved ARR - Rs per unit	4.21	4.05	4.18	4.28	3.95	4.17

### **The Revised Tariff comes into effect 01.12.2009**

- V.** The uncovered revenue gap even after revision of tariff is Rs.1, 348.35 Crs. This has to be met by the Government of Karnataka by way of additional tariff subsidy as per its policy decision of giving free power to BJ/KJ & IP set consumers. Therefore, the request of the ESCOMs for treating the unmet gap as Regulatory Asset for inclusion in the future tariff does not arise.

### **VI. Salient Features of the Order:**

- 1. No Tariff for BJ/KJ & IP sets up to 10 HP** consumers as their consumption is being fully subsidized by the Government.
- 2. No increase has been ordered in tariff for the following categories, considering the submissions made by these consumers.**
  - i) Domestic Lighting & AEH consumers, for the first two consumption slabs i.e. upto 100 units.
  - ii) Private educational institutions coming under village panchayat areas, for first two slabs i.e. upto 200 units.
  - iii) For HT lift irrigation schemes, to encourage community farming.
  - iv) Irrigation pump sets of above 10 HP, private horticulture, nurseries, coffee & tea plantations
  - v) First slab consumption up to 50 units in respect of commercial installations coming under rural panchayat areas.

- vi) First slab consumption by LT industries both in urban and rural areas (consumption up to 500 units per month)

**3. Reduction in fixed charge:** The Commission has reduced the fixed charge payable by LT-4(c)(i) category viz, Coffee and Tea Plantations up to 10 HP power by Rs.10/- considering their plea for reduction in tariff. Energy charges for this category have been retained at the existing rates.

**4. Increase in tariff is approved for the following categories:**

i) **Domestic Lighting/heating installations:** The consumers of domestic lighting and heating installations in BBMP and other City Corporation areas, consuming more than 100 units, have to pay more tariff ranging from 30 paise to 120 paise per unit. In areas of urban local bodies, consuming more than 100 units, the increase ranges from 20 paise to 70 paise per unit. In respect of installations under village panchayat areas, consuming more than 100 units, the increase is only from 10 paise per unit to 60 paise per unit. While fixing these rates, the Commission has taken into account the paying capacity of the consumers in cities and village areas.

ii) **Commercial lighting/heating installations:** Increase from first slab onwards, from 15 paise to 55 paise per unit in cities and from 10 paise per unit to 50 paise per unit in urban areas. In village panchayat areas, increase of 10 paise per unit for second slab only. While fixing these rates also, the Commission has again considered the paying capacity of the consumers in urban and village areas. However, as stated above, no increase has been ordered for consumption up to 50 units, coming under rural panchayat areas in this category.

iii) **LT Industries:** The Commission has ordered increase of tariff for the 2<sup>nd</sup> and 3<sup>rd</sup> slabs of this category by 35 paise per unit & 30 paise per unit in city areas and by 10 paise per unit & 20 paise per unit for the village areas. The lower

increase has been fixed for 3<sup>rd</sup> slab in order to help those consumers whose consumption is higher, as power is used for production purpose, employing large no. of persons.

iv) **HT Industries:** The Commission has ordered increase of 50 paise per unit in the 1<sup>st</sup> slab and 30/35 paise per unit in the 2<sup>nd</sup> slab. Lower increase in the 2<sup>nd</sup> slab has been considered in order to enable them to use more power, keeping in view withdrawal of special incentive scheme.

v) **HT Commercial:** Increase by 75 paise per unit & 80 paise per unit for the first & second slabs respectively for installations in all areas. This is to encourage optimization of consumption by large commercial establishments.

5. **Loss levels:** For FY08 & FY09, the Commission has considered the losses achieved by the ESCOMs, which are lower than the targeted losses fixed by the Commission in its MYT Order duly appreciating their efforts. For FY10, the Commission has fixed target loss levels as proposed by ESCOMs wherever the loss levels are less than those fixed in the MYT Order. In respect of HESCOM, the Commission has retained the target loss level as fixed in the MYT Order as it has not achieved the targeted loss levels as higher losses incurred due to inefficiency cannot be passed on to the consumers.

6. **Other consumer friendly measures:**

a) **Zero Cross subsidy Surcharge for Open Access:** To encourage open access in the State and to ensure that the power produced in the State is available for the State consumers, who avail power through open access, need not have to pay any Cross subsidy surcharge. i.e. the surcharge is made zero. Incidentally, it may also bring down the burden on ESCOMs in making the power available to the open access consumers.

**b) Reduction of Cross subsidy:** Cross subsidy level, which was ranging from 26% to 79%, has been reduced to 15% to 63%, consistent with the National Tariff Policy.

**c) Solar rebate:** To encourage more use of solar heaters by domestic consumers, rebate has been increased to Rs.50 per month from Rs.40 per month. This will also give relief to ESCOMs during peak hour and save electricity.

**d) To encourage Solar Power generation and its use through the grid,** no wheeling charges are payable for wheeling of solar power within the State grid.

**e) Increase in High Voltage rebate:**

The Commission has ordered increase in high voltage rebate as fixed in the MYT Order, though ESCOMs have not proposed the same. This is done to encourage industrial consumers to avail power at higher voltages, which in turn will help in reduction of losses. The increase in High Voltage rebate is as follows :

33/66 kV - increased to 2 paise per unit from 1 paise per unit of consumption

110 kV - increased to 3 paise per unit from 2 paise per unit of consumption

220 kV - increased to 5 paise per unit from 3 paise per unit of consumption

**f) Benefit of Seasonal Industries to Cold Storage plants used in Fisheries in Coastal areas:**

The Commission has extended the benefits available under Seasonal Industries to the Cold Storage plants used in Fisheries in Coastal areas considering their plea for extending concessions, which will enable them to compete with the neighbouring similar industries .

**7. Commission's Directives**

For better performance of the ESCOMs, the following directives have been issued:

- Energy Audit of all the cities and towns having a population of 50,000 and above.
- Metering of all installations.
- Demand Side Management (DSM) & Energy Conservation steps:
  - a) Use of timers for street light installations
  - b) Metering of Distribution transformers and obtaining regular readings to cross check the assessed consumption of IP Sets.
  - c) Use of CFL and LED lamps.
  - d) To examine introducing compulsory Time of Day metering for all industrial consumers.
  - e) To adopt 'Bachat Lamp Yojana' being initiated by the Bureau of Energy Efficiency (BEE)
- To segregate Commercial & technical losses and initiate measures to reduce them.
- Bifurcation of agricultural loads from the existing 11 KV feeders, to ensure 24 hours power supply to rural lighting consumers.
- To adopt High Voltage Distribution System (HVDS) for agriculture load which results in reduction of line losses and prevent theft of energy.

- Regularization of un-authorized IP Sets

The Commission will review the implementation of the above directives from time to time, so that, in the years to come, more progress is achieved in their performance levels.

- 8. Tariff For Hukeri Society:** Hukeri Rural Electric Co-op. Society (HRECS) is a distribution licensee for Hukeri Taluk in Belgaum District. HRECS has not filed its application for tariff revision for FY10. Hence, the existing tariff (as per 2005 Tariff Order) shall be applicable to consumers in the area of HRECS, till HRECS files an application for revision of tariff and is approved by the Commission.

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