

GESCOM

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

1. Provisional Accounts:

GESCOM 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 GESCOM 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. **Annual Review of Performance:** For the purpose of Annual Review of performance for FY08 & FY09, GESCOM 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. GESCOM has not provided details of analysis for difference in approved ERC figures and actuals for FY08 & FY09 in respect of ARR including Sales forecast. In such a situation the Commission is unable to undertake any review of annual performance for FY08 & FY09. GESCOM 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. GESCOM shall explain the reasons for the difference and proposes suitable mechanism of sharing of gains and losses for the controllable expenses.

3) segregation of expenses/accounts:

- a) GESCO has not furnished bifurcation of expenses into Distribution and Retail Supply for FY08, FY09 & FY10 in the ERC filing. The same shall be furnished.
- b) As per clause 2.2 of KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail sale of Electricity) Regulations 2006, GESCO is required to segregate its accounts between Distribution and Retail Supply. GESCO has stated that detailed methodology has been submitted to the Commission for concurrence. It is to be pointed out that the Commission in its MYT order dated 17th January 2008 had directed GESCO to segregate accounts by adopting a suitable methodology and implement the same from next financial year. Therefore, no concurrence of the Commission is necessary. It is to be further stated that the Commission has not received any document detailing the methodology.
- c) GESCO shall furnish the timeframe for implementing the directive regarding segregation of accounts.

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 in its Letter dated 09.04.2009. GESCO is yet to furnish compliance on the said observations. For taking up the prudence check for FY09, GESCO shall furnish the details of capex incurred for FY09 in the forms prescribed by the Commission. While submitting the same, GESCO

shall keep in view the observations made in respect of FY08 and ensure that same discrepancies are not repeated for FY09.

5. Distribution Losses:

a. As required under clause 2.5.1(d) of MYT Regulations, GESCOM 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.

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

b. GESCOM has not filed the projected distribution losses for FY10 inclusive and exclusive of EHT sales separately as required. **The same shall be furnished.**

c. As per the Monthly reports furnished to the Commission, the distribution loss for FY09 is reported as 24.94%. Now the same is stated as 26.01%. The reasons for the differences may be furnished.

6. Power Purchase:

a. GESCOM has not filed source wise power purchase details for FY08 & FY09 as per actuals. **The same shall be furnished.**

b. 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

GESCOM shall clarify the reason and the basis for considering the per unit rates different from the approved rates.

- 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. **GESCOM shall clarify the basis for this rate. Also the date of commercial operation of BTPS Unit 1 shall be informed.**
- e. **GESCOM 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 separately.**
- f. GESCOM 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. The details of power 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

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

h. The Table 10 on page no. 26 indicates transmission loss of 4.18% for FY08 and 4.35% for FY09, whereas KPTCL has declared an average annual transmission loss of 4.37% for FY08 & 4.30% for FY09. **GESCOM shall reconcile the data accordingly and furnish the revised figures.**

i. GESCOM shall furnish a copy of the G.O. regarding allocation of PPAs by the GoK.

7. 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, GESCOM 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 5.38% 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 17th January 2008 (page 127), besides proposing a mechanism for sharing of losses and gains for the difference between actuals and normative expenses approved.

8. Depreciation:

- a) 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 computed as per MYT Regulations.

- b) The Depreciation for FY08 to FY10 has to be computed on 90 % of Opening GFA for the respect years. The detailed working of the Depreciation for the control period against each of her Assets may be furnished.

9. Return on Equity

For FY09 & 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.

10. Interest & finance Charges:

- a) GESCOM has not indicated the amount of interest on working capital separately. If GESCOM has incurred any interest on working capital for FY08 & FY09, the details of actual amount , if any, incurred thereon, may please be furnished along with the head of account under which the same is booked.
- 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. GESCOM 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.

11. Other Expenses/Other Debits:

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

Year	Amount
FY08	21.27
FY09	23.26
FY10	25.45

As per MYT Order, the provisions for Bad & doubtful debts have not been accepted by the Commission. In the light of this, the provision other expenses may be revised appropriately.

12. Sales Forecast:

a) The no. of BJ/KJ installations indicated in Statement D-21 does not match with no. of installations indicated in D-2 statement. Reasons for the same may please be furnished.

b) Please furnish the details in respect of BJ/KJ installations as per the following:

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				

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) FY10 Forecast

i) GESCOM has stated that the estimates for FY10 are based on growth rate of installation and per capita consumption. However, GESCOM has not furnished forecast in detail. GESCOM shall furnish category-wise projections based on previous five years data.

d) BJ/KJ Installation: As per tariff filing & D2 statement for FY08, GESCOM has furnished the no. of installations as 439162 and consumption as 82.35 MU with a specific consumption of 15.63 kwh/ installation/month as per actuals. The Commission had approved the no. of installations as 447619 nos., 492619 nos. & 525119 nos., and consumption as 64.46 MU, 70.94 MU & 75.62 MU and specific consumption as 12, 12 & 12 kwh / installation/month for FY08, 09 & 10, respectively in the MYT Order, 2008. For FY09, GESCOM has furnished the no. of installations, consumption and specific consumption as 465048 nos., 88.06 MU & 15.80 kwh / installation month, respectively in the tariff filing, D2 statement & DCB, as per actuals. GESCOM has considered 5.56 % growth in FY09 and projected the no. of installations as **490934** and consumption as **92.96** MU for FY10. Considering specific consumption of 15.80 kwh/ installation/month of FY09, the consumption for FY10 works out to 93.08 MU considering the no.

of installations for FY10 as 490934. **Since 69% of installations have been metered, GESCO shall furnish the average consumption per month per installation based on the recorded consumption for FY09**

e) 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	201574	205074	208574
Specific consumption	7739	7739	7739
Total Consumption	1559.98	1587.07	1614.15

The number mid-year no. 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	226696	244684
Total Consumption-MU	2107.63	2045.19
Specific consumption/IP/Yr	9297	8538

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	226696	243790
Total Consumption-MU	2105.86	2014.21
Specific consumption/IP/Yr	9289	8262

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 GESCOM. The reasons for the same shall be explained.

Further, while arriving at the specific consumption, GESCOM shall apply the loss levels as approved by the Commission in its MYT order dated 17.01.2008 [Page 88], which was based on the TERI study.

f) **Street lights:** For FY08, GESCOM has furnished the no. of installations and consumption as 8134 and 137.39 MU ,respectively in the filing which agrees with D2 statement. For FY09, GESCOM has furnished the no. of installations and consumption as 8157 nos. and 161.05 MU, respectively which tallies with D2, D21 & DCB statements. For FY10, GESCOM has projected the no. of installations and consumption as 8480 nos. and 167.43 MU, respectively considering the growth rate of 3.95% over FY09 for both nos. & consumption. Since GESCOM has metered all the installations under street lights, **it shall furnish the average consumption per month per installation based on the metered consumption for FY09**

13. D-21 Statement

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 you vide this office letter no B/02/9/5634/25-02-09.The calculations furnished are not tallying with our calculations as the following fixed values in Crores have been added to the actual revenue figures without giving any reasons & different formula used for calculation of revenue from fixed charges & no comments are also received from you for the formats sent by us.

LT-2(a)(i) =-0.7 , LT-2(a)(ii)=-3 & -5 ,LT-2(a)(iii)=-2 ,LT-2(b)(i)=+.07 & +.05,
LT-2(b)(ii) =+.04 ,+.05 & -.02 ,LT-4(a)(i)=-6.06, LT-4(b) =-0.2 & -0.39, LT-4 (c) =-.03 ,LT-5(b) =+4.27,LT-6 (W/S)=-.68 ,LT-6(SL)=+4.07,LT-7 =-0.56 ,HT-1=+0.86 ,HT-2(a)(i) =+20.30 ,HT-2(b)(ii) =+2.46
HT-3(a)(i) =+2.71,HT-4(a)=+0.07,HT-4(b) =+0.07

The details are to be resubmitted in the formats already sent by the Commission.

14. special Incentive Scheme:

GESCOM 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					

15. 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 GESCO	Subsidy Received from GoK year wise towards waiver of IP set Arrears	Amount Written off if any, by GESCO	Balance of subsidy to be received from GoK

b) GESCO 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

16. 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

17. 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.
