

MESCOM

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

1. Provisional Accounts:

MESCOM 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 MESCOM 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, MESCOM 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. MESCOM 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. MESCOM 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. MESCOM shall explain the reasons for the difference and propose suitable mechanism of sharing of gains and losses for the controllable expenses.

3. Segregation 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, MESCOM is required to segregate its accounts between Distribution and Retail Supply. It is stated that the work of bifurcation is under progress and would be implemented through e-governance software. 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 in its letter-dated 07.07.2009. MESCOM is yet to furnish compliance on the said observations. For taking up the prudence check for FY09, MESCOM shall furnish the details of capex incurred for FY09 in the forms prescribed by the Commission. While submitting the same, MESCOM 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, MESCOM 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.

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

b. MESCOM 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.**

6. Power Purchase:

- a. MESCOM has not filed source wise power purchase details for FY08. **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	326.33
RTPS 7	271.33	307.56
RTPS 8	274.87	338.05
BTPS 1	201.60	321.31

MESCOM shall clarify the reason and the basis for considering the per unit rates different from the KERC 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. **MESCOM shall clarify the basis for this rate. Also the date of commercial operation of BTPS Unit 1 shall be informed.**
- e. MESCOM 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. MESCOM 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

- g. MESCOM shall furnish copies of power purchase bills passed and paid by MESCOM for March 2008 and March 2009 in respect of all KPCL stations, CGS and major IPPs.
- h. MESCOM shall furnish a copy of the G.O. regarding reallocation of PPAs by the Gok.

7. Reliability Indices:

MESCOM has not complied with the guidelines issued by the Commission on declaring Reliability Indices for District Head Quarters, Towns & Cities and Rural Areas. **MESCOM 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 is based on norms as per MYT Regulations, which are formula based. While proposing the review of these expenses, MESCOM 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 5.39%

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 22.01.2008 (page 135), besides proposing a mechanism for sharing of losses and gains for the difference between actuals and approved normative expenses.

9. Depreciation:

As stated by MESCOM depreciation has been computed based on depreciation rate as per CERC Notification. 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 only.

10. 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.

11. Interest & finance Charges:

a) 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. MESCOM 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.

- b) MESCOM has not indicated the amount of interest on working capital separately. If MESCOM has incurred any interest on working capital for FY08 & FY09, the details of actual amount, if any, incurred, may please be furnished along with the head of account under which the same is booked. For FY10 computations of interest on working capital may be furnished as per the MYT Regulations.

12. Other Expenses/Other Debits:

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

Year	Amount
FY08	3.18
FY09	2.66
FY10	3.05

The claim in respect of provision for Bad & doubtful debts have not been accepted by the Commission. The Commission would consider the amount of bad & doubtful debts actually written off since provisions cannot be estimated before hand. In the light of this, the provision for other expenses may be revised appropriately.

13. Sales Forecast:

- a) MESCOM has estimated under LT2a, 40456 installations (under PBL installation) under RGGVY scheme. Since these installations pertain to BPL category , the same should have been considered under BJ/KJ. MESCOM may furnish reasons for including these installations under LT2a.

b) The details for BJ/KJ & LT-2a shall be furnished as follows:

BJ/KJ

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				

LT2a

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)				

b) Difference in sales

The following differences in energy sales (in MU) are noticed in respect of figures in D-2 and DCB statement for FY09:

Category	As per D-2 Statement	As per DCB
LT1	30.42	24.00
LT2 & b	770.92	759.00
LT3	180.65	178.00
LT4a	783.05	500.00
HT2a	499.29	495.00

Further under HT3, as per DCB statement, the no. of installations is indicated as 8 whereas as per D-2 statement the same is indicated as 6.

c) Difference in Sales/Installations as per D-2 & D-21

HT2a: No. of installation as D-21 is 441 and as per D-2 442. Further the sales for this category is indicated as 416.07 MU in D-21 and as per D-2 statement its 515.02 MU.

HT3: Different figures are indicated in D-2, Table in Page 38 and in Table -21.

The correct figures in respect of above may be furnished.

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	174383	177883	181383
Specific consumption per IP per year-MU	4356	4356	4356
Total Consumption (MU)	759.61	774.86	790.10

The mid-year 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	179712	185904
Total Consumption-MU	692.13	789.44
Specific consumption/IP/Yr	3851	4246

The mid-year number of 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	176665	183568
Total Consumption-MU	685.57	783.04
Specific consumption/IP/Yr	3880.62	4265.67

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 MESCOM. The reasons for the same shall be explained.

Further, while arriving at the specific consumption, MESCOM shall apply the loss levels as approved by the Commission in its MYT order dated 22.01.2008 [Page 94], which was based on the TERI study.

e) Street lights:

In the MYT Order, 2008, the Commission had approved the specific consumption of 428 kwh /installation/month for street light installations in MESCOM for FY08, 09 & 10. The Commission had approved the no. of installations and consumptions for MESCOM in the MYT Order, 2008 as 12311 nos., 13831 nos., & 15537 nos., and 63.23 MU, 71.04 MU & 79.80 MU, respectively.

Considering the 12212 installations & consumption of 41.49 MU as per D-2 statement, the specific consumption would be 283.12 kwh/ installation/ month, for FY09. The reason for change in specific consumption shall be furnished. Further, **as MESCOM has achieved 100 % metering of street light installations, it shall furnish the actual specific consumption based on metered consumption for FY09.**

f) FY10 Forecast

- i) The sales growth rate for LT2a from FY05 to FY09 is 8.5%. MESCOM has estimated 10.7% growth. This appears to be on a higher side.
- ii) The sales growth rate for LT3 from FY05 to FY09m is 11.09% and from FY07 to FY09 is 11.9%. MESCOM has estimated 13.69% growth. This appears to be on a higher side.
- iii) In respect of HT3 installation, the no. of installations for FY10 are estimated at a growth rate of 17.86% percent which appears to be higher considering the growth rate of 6.38% for the period from FY07 to FY09 and 10.26% for FY09 over FY08.

iv) The sales growth rate for HT2b from FY05 to FY09 is 12.70% and from FY07 to FY09 is 12.20%. And for FY09 over FY08 the growth rate is 9.3%. MESCOM has estimated 13.74% growth. This appears to be on a higher side.

14. Special Incentive Scheme:

MESCOM 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 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	Total Amount of arrears actually waived off by MESCOM	Total Subsidy Received from GoK year wise Towards waiver of IP set arrears	Amount Written off by MESCOM	Balance of subsidy to be received from GoK

b) MESCOM 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 installations solar rebate	LT2(a) availing	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.
