

## Salient Features of the ESCOMs' Tariff Orders 2010

### **KERC Approves Retail Supply Tariff of ESCOMs for FY11**

KERC has approved the retail supply tariff of five ESCOMs, applicable for the financial year 2010-11. The highlights of the order-dated 07.12.2010 are as under:

- I. Tariff Applications:** BESCOM, MESCOM, CESC, HESCOM and GESCOM had filed applications for approval of their Annual Revenue Requirement (ARR) for FY11, FY12 & FY13 and for revision of tariff for FY11, on 13<sup>th</sup> August 2010. They had also filed details for Annual Review of Performance for the years FY10.
- 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. The details of the Revenue, expenses, revenue deficit, increase in tariff sought, as per the application filed by the ESCOMs for FY-11, are as under:

#### Proposed ARR

Rs. In Crores

Particulars	BESCOM	MESCOM	CESC	HESCOM	GESCOM	Total
Total Expenditure (ARR)	8776.84	1694.31	1868.54	3285.29	2493.87	18118.85
Total Revenue at the existing rates as per filing	7107.37	1112.32	1479.69	2288.00	1766.34	13753.72
Revenue Gap as proposed	1669.47	581.99	388.85	997.29	727.53	4365.13
Increase in Tariff sought –Paise per unit	75	75	75	75	75	75
Additional Revenue through tariff Revision	1074.30	188.68	168.17	222.60	176.21	1829.96
Percentage increase sought	17.8%	18.5%	17.9%	17.5%	18.9%	17.9%
Average Cost of supply on proposed ARR - Rs per unit	4.68	4.97	4.67	5.17	5.15	4.79

- III. Processing of Application & Public Consultations:** The Commission, after preliminary examination of the proposals, had sought additional information/clarifications on several issues. The Commission had also invited

objections from the general public/ consumers and other stakeholders. In addition, Public Hearings were also held in the Headquarters of all the Companies to elicit further views of the consumers and others.

**IV. Issue of Tariff Orders:** The Commission has determined and issued the tariff orders of all the five distribution companies, after elaborate discussions and due consideration of the petitions and information furnished by the ESCOMs and the submissions of the consumers / general public. 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 balance 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 FY11 is given below:

#### Summary of ARR

Rs. In Crs.

Particulars	BESCOM	MESCOM	CESC	HESCOM	GESCOM	Total
Approved Expenditure (ARR)	8582.71	1490.33	1766.52	3030.27	2033.90	16903.73
Sales-MU	18398.71	3301.28	3835.15	6331.45	4620.81	36487.41
Average Cost at Full ARR Rs/unit	4.66	4.51	4.61	4.79	4.40	4.63
Total Revenue as per revised Tariff (other than BJ/KJ & IP Set installations)	7546.78	1179.55	1126.60	1486.77	1147.89	12487.60
Revenue Gap before Government Subsidy	1035.93	310.78	639.92	1543.50	886.01	4416.13
Committed Subsidy	584.47	245.35	534.37	1138.11	657.70	3160.00
Gap after subsidy	451.46	65.43	105.55	405.39	228.31	1256.13
Regulatory Asset[RA]	423.17	75.93	88.21	145.62	106.28	839.21
addl. Subsidy required by GoK	28.29	-10.50	17.34	259.77	122.03	416.93
Average tariff after RA Rs./Unit	4.43	4.28	4.38	4.56	4.17	4.40
Approved Avg increase in Tariff – Ps. per unit	22	23	20	28	22	23
Additional Revenue through tariff Revision	439.52	67.23	63.48	85.11	69.60	724.94

As indicated in the above Table, the total approved ARR of ESCOMs is Rs.16904 Crs. After the revision of tariff (which generates an additional revenue of Rs.725 Crs.) and considering committed government subsidy of Rs.3160 Crs., the total unmet gap is Rs.1256 Crs. Out of this gap, an amount of Rs. 417 Crs. has to be met by the Government of Karnataka through additional tariff subsidy towards free power to BJ/KJ & IP set consumers and the remaining unmet gap of Rs.839 Crs. is treated as Regulatory Asset, to be recovered in the next two years of the control period.

The Commission, keeping in view the unavoidable situation of buying the high cost short term power to meet the deficit power situation in the State for FY11, has decided to pass on only a part of the increased average cost of supply to the electricity consumers of the State in order to minimize the effect of tariff increase. Accordingly, the Commission has decided to pass on only 22 paise per unit out of the increased average cost of 45 paise per unit in the tariff determined for FY11. The remaining 23 paise per unit is being treated as 'Regulatory Asset' (deferred revenue) for FY11 and an amount of Rs.839 Crores, will be adjusted in the remaining years of the control period.

The proposed and approved ARR for the control period is as under:

Particulars	FY11		FY12		FY13	
	Proposed	Approved	Proposed	Approved	Proposed	Approved
BESCOM	8776.84	8582.71	10657.55	8051.46	11875.36	9067.85
MESCOM	1694.31	1490.33	2043.29	1767.25	2381.89	2029.67
CESC	1868.54	1766.52	2164.88	1825.72	2457.47	2064.77
HESCOM	3285.29	3030.27	4058.81	3520.34	4552.85	3999.90
GESCOM	2493.87	2033.90	2889.83	2500.29	3210.77	2793.88
<b>Total</b>	<b>18118.85</b>	<b>16903.73</b>	<b>21814.36</b>	<b>17665.06</b>	<b>24478.34</b>	<b>19956.06</b>

## V. Annual Performance Review [APR] for FY10

The Commission has carried out APR of all the ESCOMs for FY10. The ARR after APR is indicated below:

Rs. Crs.

ESCOM	As approved in November 2009 Order			As per APR		
	ARR	Revenue	Surplus/ Deficit (-)	ARR	Revenue	Surplus/ Deficit (-)
BESCOM	7381.92	7381.92	0.00	6843.28	6791.59	-51.69
MESCOM	1182.20	1182.20	0.00	1171.75	1175.25	3.50
CESC	1525.42	1525.42	0.00	1436.71	1422.13	-14.58
HESCOM	2514.59	2514.59	0.00	2382.51	2277.07	-105.44
GESCOM	1833.69	1833.69	0.00	1617.53	1659.74	42.21
<b>Total</b>	<b>14437.82</b>	<b>14437.82</b>	0.00	<b>13451.78</b>	<b>13325.78</b>	<b>-126.00</b>

The net deficit for FY10 after APR is Rs.126 Crs.

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

1. There is no Tariff payable by BJ/KJ & IP sets up to 10 HP consumers as their consumption is fully subsidized by the Government.
2. There is no increase in fixed charges of any category of consumers.
3. For the first time, Green Tariff has been introduced to HT Industries & HT Commercial Consumers at their option, to promote purchase of energy from Renewable Sources and to reduce carbon footprint. Consumers opting for green tariff have to Pay Re. 1.00/unit over and above the normal tariff.
4. Time of the day tariff is continued on optional basis for HT & LT industries and HT water supply, considering the request of consumers. A reduction of 80 paise per unit is available for consumption in the off peak period in this system.
5. **Zero Cross subsidy Surcharge for Open Access continued** to encourage open access in the State. This may bring down the burden on ESCOMs in making the power available to the open access consumers.
6. **Solar rebate:** continued at Rs.50 per month to encourage more use of solar water heaters by domestic consumers. This will also give relief to ESCOMs during morning peak hour and save electricity.

**7. 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.

**8. Benefit of Seasonal Industries to Cold Storage plants used in Fisheries in Coastal areas.**

The Commission has continued the benefits available under Seasonal Industries to the Cold Storage plants used in Fisheries.

**9. Tariff Rationalization:**

- a. The Tariff Structure for Domestic Category, which had 3-tier, has been reduced to 2-tier by clubbing urban areas including corporations under single tier. The number of tariff slabs in this category has been reduced from six to four slabs.
- b. In BESCOM, the Tariff Structure for LT Commercial Category, which had 3-tier, has been reduced to 2-tier by clubbing urban areas including corporations under single tier.

**10.** Only a moderate increase ranging between 10 paise to 15 paise is made in the tariff for Domestic consumers using up to 100 units per month in the village panchayat areas.

**11.** 25 paise increase for HT lift irrigation schemes, Irrigation pump sets of above 10 HP, private horticulture, nurseries, coffee & tea plantations, as tariff for this category has not been increased for some years.

**12. Increase in tariff as approved for the following categories:**

i) **Domestic Lighting/heating installations:** For the consumers of domestic lighting and heating installations in areas of urban local bodies and City Corporation areas, the increase ranges from 5 paise to 60 paise per unit, depending upon the slab of consumption. In respect of installations under village panchayat areas, the increase is only from 10 paise per unit to 30

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 is 25 paise to 45 paise per unit in urban areas. In village panchayat areas, increase is of 30 to 35 paise per unit.

iii) **LT Industries:** The Commission has considered increase of tariff by 30-35 paise per unit.

iv) **HT Industries:** The Commission has ordered increase of 30-35 paise per unit.

v) **HT Commercial:** The Commission has ordered increase by 35-40 paise per unit.

**14. Loss levels:** FY 10 distribution loss levels in all ESCOMs except Gulbarga, are lower than the targeted losses fixed by the Commission in its MYT Order. The target for reduction of losses for the Control Period is as under:

**Loss levels for Control Period**

	% Losses							
	FY10		FY11		FY12		FY13	
	Apprd.	Act.	Proposed	Apprd.	Proposed	Apprd.	Proposed	Apprd.
BESCOM	16.00	15.09	15.00	14.75	14.75	14.50	14.50	14.25
MESCOM	12.90	12.64	12.54	12.50	12.44	12.40	12.34	12.30
CESC	16.75	16.42	15.86	15.50	15.47	15.25	15.33	15.00
HESCOM	22.50	20.86	20.80	20.00	20.50	19.50	20.00	19.00
GESCOM	24.02	25.53	23.98	23.00	22.67	22.00	21.34	21.00

**VII Commission's Directives**

The Tariff Orders issued by the Commission today include the following new directives to all the electricity supply companies in the State:

**1. Lifeline supply to unelectrified households:**

The Commission has noted that an estimated 12-lakh households in the State are still without the facility of electricity for even lighting purpose. Backward districts of the State which have lower human development index like Chamarajanagar, Koppal, Raichur and Bijapur have larger proportions of households without electricity than in other districts. The Commission has noted that under the National Electricity Policy, it is imperative to provide electricity to all households and has directed the ESCOMS to prepare a detailed action plan for providing electricity to such households within a maximum period of three years. The funds required for the purpose are to be mobilized from various Government schemes and, if necessary, from the capital expenditure programmes of ESCOMS.

**2. Power Supply during night hours for villages:**

Responding to the complaints from rural consumers, the Commission have directed the electricity supply companies that they should provide electricity for lighting purpose in all the villages in the State for at least 11 hours between 6 PM & 6 AM with provision for one hour's load shedding, if necessary for the purpose of load management during peak hours. The ESCOMS had submitted to the Commission their intention to supply single-phase electricity for lighting purpose in villages for 6 to 8 hours at night. The Commission has noted that it is unacceptable that the villages in the State are without electricity even for street lighting for half of the night

hours as it would seriously impede the well being of the rural people. This directive is to come into effect from 1<sup>st</sup> January 2011.

**3. Reliability of Electricity Supply:**

The Electricity Regulatory Commission has directed the supply companies to put an end to the practice of load shedding without notice to consumers. Responding to complaints from many consumers including industrial users, the Commission has directed that with effect from 1.1.2011 the utilities shall announce their supply schedules in advance every week to enable the consumers to plan their activities. The utilities have also been directed to report to the Commission all interruptions in supply zone wise on monthly basis.

**4. Responsiveness to Consumers:**

The Electricity Supply Companies in the State have been directed to organize meetings with consumers in every electricity sub division at least once in two months in the presence of senior officers like Superintending Engineers and Divisional level officers. These meetings will enable the consumers to bring to the notice of senior officers of the utilities the problems being faced by them in electricity supply so that remedial measures could be initiated.

5. **Conservation of energy in Irrigation:**

In the matter of conservation of electricity used in the agriculture sector, the Commission have directed the ESCOMS to constitute Efficient Irrigation Promotion Cells which will promote energy efficient practices like drip irrigation and sprinkler irrigation systems. The ESCOMS have been advised to coordinate with the Universities of Agricultural Sciences and the various Departments of Government in this regard.

**The Commission's tariff Orders issued today come into effect from the date of next meter reading on or after 7<sup>th</sup> December 2010.**

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