

KARNATAKA ELECTRICITY REGULATORY COMMISSION
6th & 7th Floor, Mahalakshmi Chambers, No. 9/2, M.G. Road, Bangalore-560001

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PRESS NOTE

REVISION OF ELECTRICITY TARIFF FOR 2015-16

The Karnataka Electricity Regulatory Commission (KERC) has approved revision of electricity supply tariff for all the Electricity Supply Companies in the State for the Financial Year 2015-16. The revised tariff will come into effect for the electricity consumed from the first meter reading date falling on or after 1st April 2015.

As against an increase of 80 paise per unit sought by the ESCOMs uniformly for all categories of consumers, as per their applications filed on 8.12.2014, KERC has allowed an average tariff increase of 13 paise per unit (ranging from 10 paise to 20 paise) for different categories of consumers other than Irrigation Pump Sets and Bhagya Jyothi / Kuteer Jyothi households.

The subsidy payable by Government in respect of irrigation pumps and consumption Bhagya Jyothi / Kutir Jyothi consumers is increased from Rs.6,308 crores during the current year to Rs.7,113 crores for the next year. However, 10 % of the amount of subsidy (about Rs.700 crores) for irrigation pumpsets is to be withheld till the last quarter of the financial year and released only if the ESCOMs comply with the Commission's directions regarding energy audit and accurate assessment of the electricity used by irrigation pumpsets.

Highlights of Tariff Revision:

- **Average increase in tariff for metered consumers is about 2% over the existing tariff.**
- **No increase in tariff for the first 100 units of monthly consumption by Domestic Consumers.**
- **Water purification units maintained by Government included under LT6 (a)-Water Supply category.**

- **Shops using electricity for Ironing of clothes and for tailoring, hitherto under LT commercial category (tariff Rs.6.45 to 7.95 per unit) are now reclassified under LT Industrial category with a lower tariff of Rs.4.70 to 6.00 per unit.**
- **No increase in tariff for Temporary Power Supply both under LT & HT.**
- **Restriction on the maximum demand during off season by Seasonal Industries is relaxed. Also existing limit on off season consumption is reduced from 50% to 25%.**
- **Green tariff of 50 paise per unit for HT Industrial & Commercial consumers is continued for promotion of renewable sources of power generation.**
- **The revised tariff will come into effect for the electricity consumed from the 1st meter reading date falling on or after 1st April 2015. The consumers will have to pay electricity charges at the revised tariff from the month of May 2015.**
- **The previous tariff revision was effective from 1st May 2014.**

Salient Features of Tariff Order 2015:

Domestic Consumers:

There is no change in tariff for the first 100 units of consumption per month. The existing tariff for domestic consumers **in urban areas** is retained at Rs.2.70 per unit up to 30 units and Rs.4.00 per unit for consumption between 31 and 100 units. The tariff for monthly consumption of more than 100 units is increased from Rs.5.25 to Rs.5.40 per unit. The tariff for consumption above 200 units is increased from Rs.6.25 to Rs.6.40 per unit.

For the domestic consumers **in rural areas**, the existing rate of Rs.2.60 per unit up to 30 units and Rs.3.70 per unit between 31 and 100 units is retained. The tariff increase for domestic consumers is 15 paise per unit for monthly consumption of more than 100 units. The revised tariff for domestic consumers in rural areas will be Rs.5.10 per unit for consumption between 101 and 200 units and Rs.5.90 per unit for consumption beyond 200 units per month.

Industrial Consumers:

The tariff for Commercial and Industrial consumers across the State has been increased by 15 to 20 paise per unit. The revised rates for LT industrial units in BBMP & Other Municipal Corporation areas in BESCOM will be Rs.4.90 per unit (existing rate Rs.4.75) for the first 500 units and Rs.6.00 per unit (Rs.5.85) for consumption above 500 units

The Municipal Corporation areas in all the ESCOMs other than BESCO are covered under a new LT5 (a) category with the new rates of Rs.4.75 per unit for the first 500 units, Rs.5.55 per unit for consumption from 501 to 1000 units and Rs.5.85 per unit for consumption above 1000 units.

In all other areas, the existing tariff is increased by 15 paise per unit. The new rates will be Rs.4.70 per unit for the first 500 units, Rs.5.50 per unit for consumption from 501 to 1000 units and Rs.5.80 per unit for consumption above 1000 units.

For the HT industrial users in BBMP and other City Municipal Corporation areas also the increase in tariff is 15 paise per unit. The new tariff will be Rs.5.90 per unit for the first one lakh units and Rs.6.30 per unit for consumption beyond one lakh units. In all other areas, the new rates will be Rs.5.85 and Rs.6.15 respectively.

Commercial Consumers:

For LT commercial units, the new tariff in urban areas including Bangalore and other city corporation areas will be Rs.6.95 per unit for the first 50 units and Rs.7.95 per unit for consumption beyond 50 units. In the rural areas, the new rates will be Rs.6.45 per unit for the first 50 units and Rs.7.45 per unit for consumption beyond 50 units. The increase in all these categories is 20 paise per unit.

For HT commercial users, in Bangalore and other city corporation areas, the new tariff will be Rs.7.55 per unit for the first 2 lakh units of consumption and Rs.7.85 per unit for consumption beyond 2 lakh units. In all other areas, the new rates will be Rs.7.35 and Rs.7.65 respectively. In all these categories, the increase is 20 paise per unit.

Water Supply and Public Lighting:

The Commission has increased the tariff for LT water supply installations by a nominal 10 paise per unit from the existing rate of Rs.3.30 per unit to Rs.3.40 per unit. Water purification units maintained by Government have also been included with supply units in this category. The rate for HT water supply installations is also increased by 10 paise per unit from Rs.4.00 per unit to Rs.4.10 per unit.

Concessional Tariff for LED Streetlights:

The Commission has introduced a promotional tariff of Rs.4/- per unit for local bodies who will adopt LED lighting for all their streetlights. For others, the tariff has been increased by 15 paise per unit from Rs.4.85 per unit to Rs.5.00 per unit in both urban and rural areas.

Educational Institutions and Hospitals:

The Commission has not increased the tariff for educational institutions and hospitals in the LT category. The existing LT tariff in Bangalore and all city corporation areas is at Rs.6.00 per unit for the first 200 units and Rs.7.20 per unit for consumption beyond 200 units. In all other areas, the existing tariff is Rs.5.50 and Rs.6.70 per unit.

The Commission has increased the tariff by 20 paise per unit for private educational institutions and private hospitals in the HT category. The revised HT tariff for these institutions is Rs.6.60 per unit for the first one lakh units and Rs.7.10 for consumption beyond one lakh units. Government hospitals and hospitals run by charitable institutions as well as educational institutions belonging to Government and aided institutions will have a tariff of Rs.5.60 for the first one lakh units and Rs.6.10 for consumption beyond one lakh units of HT supply.

Green Tariff:

Green Tariff is continued at 50 paise per unit over and above the applicable Tariff for HT Industries & HT Commercial Consumers at their option, to promote purchase and use of energy from Renewable Sources.

Conditions for release of Government Subsidy:

The amount of subsidy to be paid by the Government towards free supply of electricity to 22.75 lakhs IP sets upto and inclusive of 10 HP, and 29 lakh Bhagya jyothi / Kutirjyothi households is increased to Rs. 7113 Crores for 2015-16 from Rs. 6308 Crores for 2014-15. The estimated consumption of these categories is 17522 MU for IP Sets and 319 MU for Bhagya Jyothi/Kutira jyothi consumers. However, ten per cent of the subsidy for IP sets (about Rs.700 crores) is to be withheld till the last quarter of the financial year and released only on ESCOMs complying with the Commission's directions on energy audit as follows :

ESCOMs shall implement the monthly reading of the energy supplied from every DTC along with reading of consumer meters commencing with all the DTCs in at least ten per cent of the feeders (other than separated IP Set feeders) from April 2015 and introducing the system in all the feeders by the end of January 2016. In the case of feeders separated under Nirantara Jyothi Yojana supplying energy exclusively for irrigation purposes, the feeder level

meter readings shall be recorded on 1st of every month to assess the feeder wise consumption by the IP sets.

ESCOMs shall submit results of the above energy audit in each feeder and the IP sets consumption recorded in respect of agricultural feeders to the Commission in prescribed formats every month. The Commission will in the last quarter of the financial year advise the Government to release the balance 10 % of the subsidy for the year on satisfactory compliance of the above directions.

Price Cap on Short term Power:

The Commission has observed that due to shortage of power in the State, ESCOMs are required to procure power on short term / medium term basis. The Commission has continued the price cap of Rs.4.50 per unit for power to be procured by ESCOMs on short term/medium term basis. The ESCOMs will require the Commission's prior approval for procurement of power above the price cap.

Annual Revenue Requirement (ARR) of ESCOMs for FY16:

On a detailed review of the Tariff Applications of the ESCOMs for the Financial Year 2015-16, the KERC has approved an overall expenditure of Rs.28803 Crores collectively for all the ESCOMs, which would be supplying about 51515 Million Units (excluding Transmission & Distribution losses of about 17.74%) during FY16. The ESCOMs will procure about 62623 Million Units for the purpose during FY16 as against about 57606 MU procured for FY14. The Bangalore Electricity Supply Company (BESCOM) will account for about 50% of the energy procured at 30419 Million Units with an ARR of Rs.14419 Crores for FY16.

Revenue Gap FY2014:

In the Annual Performance Review for FY14, the Commission has determined a gap in Revenue of Rs. 846 Crores. This is mainly due to under realisation of revenue compared to the target realisation along with marginal increase in O&M expenses and Interest & Finance charges during FY14. The above gap together with the regulatory asset of Rs.1,209 crores carried over from the deficit in the financial year 2013 leaves an overall gap of Rs.2,055 crores. With an anticipated surplus of Rs.26 crores in FY2016, the net deficit to be recovered is Rs.2,029 crores.

The power procurement by the ESCOMs during FY16 is estimated at 62623 million units (MU) as against 61721 MU in FY15. The estimated power procurement from KPCL sources is 32735MU in FY16 as against 28979 MU in FY15. The power procurement from Central Generating Stations will be 14362 MU as against 14946 MU in FY15, and from Independent Power Producer, namely UPCL is 7463 MU in FY16 as against 7114 MU in FY15. The estimated power procurement from renewable sources is 6534 MU in FY16 as against 6840 MU in FY15. The shortfall in the availability of power from long term sources will be met by short-term sources which may be about 1352 MU in FY16 as against 3842 MU in FY15. The short-term power procurement has reduced from 11047 MU in FY13 to 7017 MU in FY14. It is likely to further reduce to about 4500MU in FY15 and to 1352 MU in FY16.

The Commission has noted that the cost of procurement of power by ESCOMs has remained stable since FY2013. Also, in view of the decline in the prices of imported coal, the average cost of power procurement is likely to remain stable or marginally decline over the next two years. The Commission has therefore decided to recover the total revenue gap of Rs.2,029 Crores spreading it over two years, i.e., in FY16 and FY17. The Commission has therefore decided to allow additional revenue of Rs.923 Crores to be collected from consumers and the Government by revision of tariff and subsidy in FY16. The contribution from the consumers other than irrigation pumpset users and BJ/KJ consumers out of this amount will be Rs.425 crores. The balance amount of Rs. 1106 Crs is kept as regulatory asset to be considered at the time of determining the ARR for FY17.

Other Highlights:

Directions on Standards of Performance :

The Commission has continued an allocation of a total of Rs.3.00 crores meant for consumer education to the ESCOMs. The ESCOMs are now directed to display the standards of performance prominently in every office of ESCOM right up to the section level. This will enable consumers to know the time limit within which the ESCOMs have to adhere to attending to problems like replacing transformers, attending to fuse off calls, etc. Failure to attend to the problems within the specified time limit will attract penalties in the form of compensation to consumers.

The Commission has also directed that all ESCOMs must ensure that the field officials like linemen, shall invariably use safety gear and uniforms while attending to maintenance works to avoid accidents.

Transmission Tariff for KPTCL for 2015-16 (FY16):

KPTCL had proposed an ARR of Rs. 2580 Crs for FY14 inclusive of a gap of Rs. 256 Crs. After annual performance review for FY14, the Commission has approved an ARR of Rs.2,332 Crs with a carry forward gap in revenue of Rs. 7.49 Crores. Together with the ARR of Rs.2,599.03 crores for FY16 determined earlier as per the MYT order dated 6.5.2013, the revised ARR for FY16 will be Rs.2,606.52 crores. The revised transmission tariff for 2015-16 will be Rs.1,12,079/- MW/Month as against the existing tariff of Rs.98,324/- per MW/Month approved for 2014-15. The revised KPTCL tariff for 2015-16 is included in the power purchase cost allowed to ESCOMs and is covered by the tariff revision approved for ESCOMs.

[Note:- The detailed category wise revised tariff schedule is enclosed and the full text of the Tariff Orders of KPTCL and ESCOMs may be seen on the Commission's website www.karnataka.gov.in/kerc]