

**Karnataka Electricity Regulatory Commission
Bangalore-560 001**

**Notification No. Y/02/7 dated 19th February 2008
(Notified in Karnataka Gazette on 28.02.2008, page Nos.1042 to 1044)**

“Karnataka Electricity Regulatory Commission (Manner of payment of subsidy by State Government) Regulations, 2008

Preamble:

Section 65 of the Electricity Act, 2003, empowers the State Commission to specify the manner in which the subsidy has to be paid by the GoK, in case the State Government grants subsidy to any consumer or class of consumers in the tariff determined by the Commission.

The Commission had issued a draft of the Regulations on 29.10.2007, seeking comments from stakeholders. The above draft was also hosted on the Commission's website. The Commission received written submissions from 13-stakeholders including GoK & the Licensees. The Commission also held a Public Hearing on 23.1.2008 with due notice to all the Stakeholders.

The Commission, duly considering the suggestions/comments of the stakeholders has finalized the Regulations. In exercise of the powers conferred by Section 65 read with Section 181(1) of the Electricity Act, 2003, the Commission hereby makes the following Regulations specifying the manner of payment of subsidy by the State Government:

1. Short Title and Commencement:-

- (1) These Regulations shall be called the “KERC (Manner of payment of subsidy by the State Government) Regulations, 2008.
- (2) These Regulations shall come into force from the date of their notification in the Official Gazette.
- (3) These Regulations shall apply to subsidy, if any, payable under Section 65 of the Act by the State Government of Karnataka.

2. Definitions :-

- (1) “Act” means the Electricity Act, 2003 (36 of 2003) and subsequent amendment thereof.
- (2) “Beneficiary” means any consumer or class of consumers who is granted subsidy by the State Government under Section 65 of the Act.

- (3) "Commission" means the Karnataka Electricity Regulatory Commission.
 - (4) "Person" shall include any company or body corporate or association or body of individuals, whether incorporated or not, or artificial juridical person.
 - (5) "Subsidy" means any direct financial grant by the Government of Karnataka to compensate any person affected by waiver or exemption or reduction directed by the State Government in tariffs as determined by the Commission under Section 62 of the Act.
 - (6) Unless the context otherwise requires, the words and expressions in these Regulations, shall bear the same meaning as defined in the Electricity Act, 2003 (36 of 2003) and the Karnataka Electricity Reforms Act, 1999.
- 3. Intent of the Regulations:** - The intent of these Regulations is to define subsidy, the method of its computation, the manner in which it shall be paid by the State Government, the person eligible to receive subsidy, and consequences of delays/non receipt of subsidy by the concerned person.
- 4. Subsidy and manner of its payment: -**
- (1) The State Government, if it desires to grant any subsidy, shall inform the Commission and the Distribution Licensees of its decision along with the relevant details. The communication from the State Government to the Commission conveying its decision shall clearly identify the beneficiaries, the quantum of consumption proposed to be subsidized and the per unit subsidy to be provided. The amount of subsidy shall be computed by multiplying the quantum of consumption to be subsidized by the subsidy per unit committed by the G.o.K for each of the ESCOMs.
 - (2) In case the GoK desires that the subsidy is to be factored in, while determining the tariff for the ensuing year, it shall direct the Distribution Licensees to estimate the total financial support necessary for the ensuing year for implementing the decision of the State Government and intimate the same to the Commission and the State Government latest by 30th November of each year.
 - (3) In case the communication regarding subsidy to be factored in the tariff for the ensuing year, is not received before 30th November of the current year, the Commission would go ahead with the determination of retail tariff for the ensuing year without

considering the subsidy and thereafter, the GoK can provide subsidy to any consumer or class of consumers in the Tariff determined by the Commission.

5. Manner of payment of Subsidy by the State Government:-

- (1) The Licensee shall charge the subsidized tariff to a consumer or class of consumers for whom the Government has committed the subsidy, subject to release of subsidy in advance.
- (2) The quantum of subsidy shall be payable by the State Government in advance every quarter to the Person/Licensee affected by the grant of subsidy. i.e the subsidy shall be released by G.O.K in the months of April, July, October and January for the first, second, third and fourth quarter of the financial year respectively. The Person/Licensee shall furnish to the Commission a statement on quarterly basis regarding quantum of subsidy claimed and subsidy released by the State Government by the end of each quarter.
- (3) The State Government shall provide the subsidy to the person/Licensee affected by the grant of subsidy, in cash, in advance for the quarter for which the subsidy is granted. If the State Government desires to provide the subsidy to the Person/Licensee affected by the grant of subsidy through adjustment of any dues or amounts payable by the person/licensee to the State Government/State owned generating companies, the same shall be done with the prior approval of the Commission. The Commission shall consider such requests and in doing so, shall keep in mind the revenue receivables of the Person/Licensee affected by the grant of subsidy, from the State Government departments.
- (4) The Distribution Licensee/Person affected by the grant of subsidy shall provide quarterly information to the Commission and the State Government of the quantum of sales to the consumer or class of consumers for whom the subsidy is being provided by the Government, subsidy claimed and the amount of subsidy received in advance from the State Government.
- (5) As on date of these Regulations, if there are any arrears [Principal & Interest], payable by any consumer or class of consumers towards the tariff and the same is waived off by the GoK, the GoK shall make good the affected Person/Licensee such amounts within 3-months from the date of waiver.
- (6) The arrears of revenue from tariff, waived off by GoK and remaining unpaid in the books of accounts of the Person/Licensee, shall be

cleared by the Government, through release of additional subsidy, within one year of the date of coming into force of these Regulations.

6. Consequences of non-payment, partial payment or excess payment of subsidy:-

- (1) In case subsidy is not received as per estimate from the State Government in advance during the months specified in clause 5(2) above, the Person/Licensee affected by the grant of subsidy, shall raise electricity bills at the Commission determined tariff [CDT] rates, without subsidy.
- (2) The Person/Licensee affected by the grant of subsidy, while raising the bill on the consumer/class of consumers shall clearly indicate in each bill (a) the amount payable as per the tariff determined by the Commission; (b) the amount of subsidy paid by the State Government and (c) the net amount payable by the beneficiary for the billing period.
- (3) In case the subsidy paid in advance based on estimates is less than the actual requirement for the quarter, the Government shall make good the deficit amount in the next quarter.
- (4) In case the subsidy paid in advance based on estimates is more than the actual requirement for the quarter, the Government shall adjust the excess amount against the amount payable in advance for the next quarter.

7. Power to Amend:- The Commission, either suo motu or on an application by any person or by Licensee or by any consumer, may at any time add, vary, alter, modify or amend any provisions of these Regulations, following the due process

8. Savings:-

- (1) Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary to meet the ends of justice or to prevent abuse of the process of the Commission.
- (2) Nothing in these Regulations shall bar the Commission from adopting, in conformity with the provisions of the Electricity Act 2003 (36 of 2003), a procedure, which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.

- (3) Nothing in these Regulations shall, expressly or impliedly, bar the Commission dealing with any matter of exercising any power under the Electricity Act 2003 (36 of 2003) for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit.

By the order of the Commission

For Karnataka Electricity Regulatory Commission

**Sd/-
Secretary**