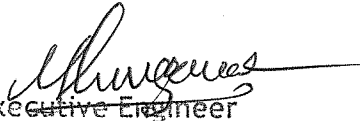


CHAPTER –7

NEW PROPOSALS


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CHAPTER -7

NEW PROPOSALS

I. Proposal to increase Demand charges for HT consumers:

The Electricity Act 2003 envisaged competition in retail supply of electricity by introducing the concept of 'Open access in phased manner. As per the definition of the 'Open Access' means the non-discriminatory provisions for use of transmission line or distribution system or associated facilities with such line or system any licensee or consumer or a person engaged in generation in accordance with the regulations specified by the Appropriate Commission.

Subsequently the State Commission notified Open Access Regulations which facilitated procurement of power through the Open Access route.

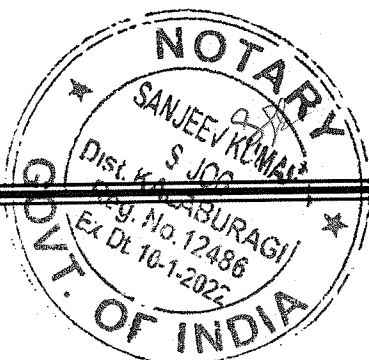
The introduction has been largely successful in promoting competition with the distribution licensees by providing consumers access to alternate sources of power. However, a number of issues have come up in the operationalization of Open Access impacting Distribution Licensee and non-open access retail supply consumers of distribution licenses.

Issues:

1. Frequent shifting of Open Access Consumers: GESCOM unable to manage power procurement efficiently due to frequency of shifting of Open access consumers between GESCOM and other source of power.
2. Cross Subsidy Surcharge: Cross subsidy surcharged calculated by the State Commission and its recovery is insufficient to recover the entire loss of cross subsidy on account of consumers procuring power through the Open Access route.

Group captive consumers: The number of HT consumers under group captive has increased over the years. The consumers of group captive power scheme are exempted from paying cross subsidy surcharges and additional surcharge. The actual consumption by each of the captive user is only calculated at the end of the year. Even if the captive user does not comply with the conditions of group captive he enjoys the benefit till the end of year. This results in financial loss to the GESCOM.

The Details of HT consumer who are in Open Access, Wheeling & Banking are as follows :



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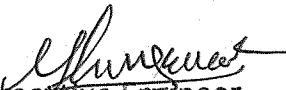
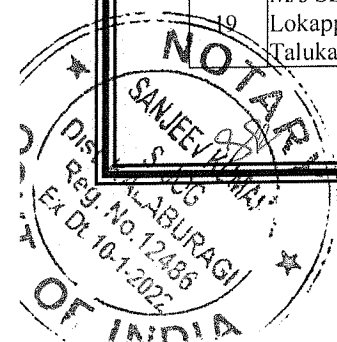

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Table-105

Details of the OA & W&B HT Consumers in GESCOM Jurisdiction for FY-21								
Sl No	Name of the HT Consumer	RR.Nos	Contract Demand in KVA	Import Energy Through Open Access (in MU)	Import Energy through Wheeling & Banking (in MU)			Total Energy (OA & WBA)
					Captive	Group Captive	Non-Captive	
1	M/s SVE Castings Pvt Ltd, Plot No. 1&2, KIADB Industrial Area, Anantpur Road, Ballari. GESCOM	HT-89	1500.000		2.780			2.780
2	Ultra Tech Cement Limited Ginigera Village, Koppal Dist.583228. GESCOM	MHT-42	9000.000	2.735		28.083		30.818
3	Karanja Industries Private Limited Sy No, 106, Village Sindabandagi, Tq, Humnabad, dist, Bidar. GESCOM	HKHT-5	1400.000			5.140		5.140
4	Karanja Industries Private Limited Plote No 1, Kolhar Industrial Area, Bidar-585401. GESCOM	KHT-6				4.350		4.350
5	M/s. Polypack Industries, Amaravathi, Hosapete GESCOM	EHT-22	1000.000		2.400			2.400
6	M/s. Bidar Rubber and Reclaims Pvt Ltd District-Bidar GESCOM	HT-49	1200.000		0.955		2.131	3.086
7	M/s. Rangineni Steel Pvt., Ltd., Siddapur Mines Road, Halakundi Village, District-Ballari GESCOM	HT-90			1.900			1.900
8	M/s. Rai Bahadur seth Shreeram Narsingdas Pvt Ltd, Kariganuru Post, Hospet. GESCOM	EHT-28			8.285			8.285
9	M/s. Shilpa Medicare Ltd., District-Rayachuru GESCOM	HTRR-03	2500.000		1.940		13.740	15.680
10	M/s. Shilpa Medicare Ltd., District-Rayachuru GESCOM	HTR-64	1250.000		1.565		1.475	3.040
11	M/s. Shilpa Medicare Ltd., District-Rayachuru GESCOM	HTR-47			0.700			0.700
12	M/s Praxair India Pvt Ltd, Hospet.	MHT-34	14000.000	5.724		60.565	24.450	90.739
13	M/s. Mukund Limited, Hospet Division Ginigera- 583228 Koppal Taluk & Dist	MHT-62	23000.000	15.400			42.150	57.550
14	M/s. Kalyani Steel Pvt Ltd.,	MHT-20	23000.000	34.271			50.400	84.671
15	M/s. VRKP Sponge & Power Plant LLP, Halkundi Village, Bellary-583102.	EHT-10	4500.000				24.850	24.850
16	M/s ACC Ltd., Kudithini Cement Grinding Pvt Ltd.,	EHT-6	12000.000	12.525			27.340	39.865
17	M/s. ACC Cements Works Wadi	WDHT-2	8000.000	4.266			3.065	7.331
18	M/s. Sai Sceince Private Limited, Bidar	KHT-35	3000.000	5.585			8.900	14.485
19	M/s SLR Metaliks Ltd. Lokappanahola, HB Halli Taluka, Ballari District.	LKEHT-11	27000.000	30.112		20.000	28.290	78.402

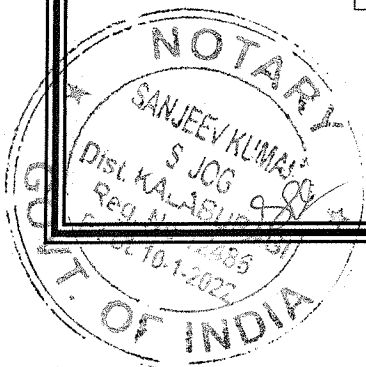
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20	M/s. Kirloskar Ferrous Industries Ltd., Bevinahalli Village, Koppal-583234	MHT-18	24500.000	10.688			6.100	16.788
21	M/s. Raichem Medicare Private Limited, Riachur-584102	HTRR-84	1800.000				8.385	8.385
22	M/s Shree Cement Limited, Kodla village, Sedam Taluk	HTP-23	30000.000	3.247	46.810		22.800	72.857
23	M/s. HRG Alloys & Steels, Kasankandi	MHT-70	10000.000				26.480	26.480
24	M/s. Basai Steels and Power Pvt Ltd.,	EHT-11	8000.000	0.000		31.350	2.000	33.350
25	M/s. Talampally Rubbers Pvt Ltd.,	KHT-43	1600.000			4.640		4.640
26	M/s. Vanya steels Pvt Ltd.,	MHT-30				1.892		1.892
27	M/s. P. Balasubba Setty Power & Steel.	MHT-99			3.880			3.880
28	M/s. Hindustan Calcinated Metals Pvt. Ltd. Janekunte, Ballari	HT-92					2.245	2.245
29	M/s. Minera Steel and Power Pvt Ltd.,	SEHT-44	6000.000			9.670	2.500	12.170
30	M/s. Sapna Commercial, Multiplex & Convention Centre	HT-85				0.536		0.536
31	M/s. Sathya Deeptha Pharmaceuticals Ltd, Unit-1	HMHT-03			3.225			3.225
32	M/s. Sathya Deeptha Pharmaceuticals Ltd, Unit-2	HMHT-19			4.280			4.280
33	M/s. Orient Cement Limited, Itga Village, Chittapur Taluk, Gulbarga Dist-585292	CHPEHT-10	30000.000	2.881			16.620	19.501
34	M/s. Gemini Graphics Pvt Ltd., Kamthana, Bidar	SDEHT-1	1200.000				2.590	2.590
35	M/s JSW Steel Ltd.Booster Pump	EHT-34	3750.000	0.607				0.607
36	M/s JSW Steel Ltd.Booster Pump house (11KV)	VDHT-33	2000.000	0.094				0.094
37	M/s. Xindia Steel Ltd. Ginigera.	MHT-63	12000.000	11.753				11.753
38	M/s MSPL Halawarhi	EHT-33	10500.000	28.669				28.669
Total				168.558	78.720	166.226	316.511	730.015

Abstract		
1	Exculsive OA Consumers	4
2	Exculsive W&B Consumers	22
3	Both OA & W&B Consumers	12



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Table-106

Abstract of month wise Wheeled Energy of GESCOM for FY-20 & 21							
Sl. No.	Month	2019-20		2020-21		2021-22	
		W&B	IEX	W&B	IEX	W&B	IEX
1	April	16.368	17.517	6.415	2.248	31.197	9.793
2	May	25.242	17.499	33.994	16.126	45.706	14.385
3	June	32.865	10.807	42.617	19.567	58.010	13.243
4	July	33.950	15.848	47.312	18.614	62.144	15.238
5	August	34.274	16.143	44.315	15.880	56.979	10.54
6	September	32.838	19.881	52.444	22.155	53.358	5.862
7	October	30.327	24.995	54.564	19.559		
8	November	35.161	23.134	52.044	21.819		
9	December	39.085	22.615	50.444	18.937		
10	January	43.462	21.974	62.730	1.518		
11	February	36.519	19.551	50.773	7.909		
12	March	41.962	18.338	63.804	4.225		
	Total	402.054	228.301	561.456	168.558	307.394	69.061
	TOTAL	630.355		730.015		376.456	

Although two part tariff has been introduced, the structuring of fixed and variable components of tariff is not reflective of the actual proportion of fixed and variable cost liability of GESCOM.

Revenue expenditure can be divided into two parts

- Fixed expenditure contributing 54% of the total cost and
- Variable expenditure contributing 46% of the total cost.

Breakup of Fixed and variable charges approved and actual as per accounts for FY-21 is tabulated below:

Table-107

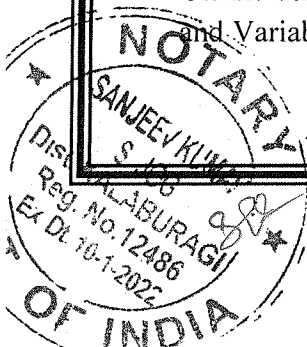
GESCOM

Particulars	Approved			Actual		
	Fixed	Variable	Total	Fixed	Variable	Total
Generation	1771.1	1879.99	3651.09	822.90	2762.16	3585.06
Transmission	999.60		999.60	789.58		789.58
Distribution	1277.65		1277.65	1639.67		1639.67
Total	4048.353	1879.987	5928.34	3252.147	2762.16	6014.307
Sales in MU			7647.04			7002.24
Composition per unit cost Rs./unit	5.29	2.46	7.75	4.64	3.94	8.59
% of Composition	68%	32%	100%	54%	46%	100%

On the contrary under Revenue earned from tariff Fixed cost collected is at the rate of 12% and Variable cost collected is at the rate of 88% of the total receipt.

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Breakup of fixed/demand charges and Energy charges received for FY-20 is tabulated below:

Table-108

Particulars	FY 2020-21		
	Fixed/Demand charges	Energy charges	Total
LT-Consumers	329.24	3,450.75	3,779.99
HT-Consumers	256.04	867.42	1,123.46
Misc.		153.69	153.69
Other revenue Misc			275.35
Total	585.27	4,471.87	5,057.14
	12%	88%	100%

- In majority of categories recovery of variable charges are not even at the Commission determined first slab rate. This may be due to inbuilt rebate such as voltage class rebate and incentive for Time of the Day tariff.
- Since the contribution of fixed charges is only 12% of the average realization rate the balance i.e. 42% (54%-12%) is concealed in the energy charges. Hence, the energy charge seems to be on a higher side. This is foremost reason for tapping HT consumers by generators. If the Demand/Fixed charges which is masked in the energy charges are separated then the variable cost can be reduced. Hence, it is proposed for increasing the fixed charges for HT consumers.
- Change in the approved sales Composition also affects the cross subsidy level.
- If there is any reduction in sales under HT tariff, loss on account of fixed charges is at the larger extent i.e., -42%, and this will further worsen the cross subsidy level.
- Tariff determination does not consider the inbuilt rebate.

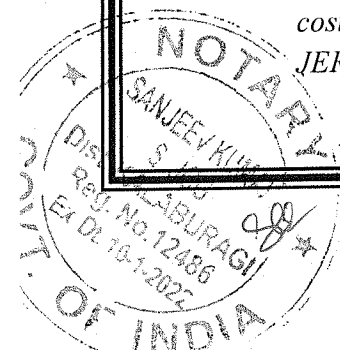
In order to reflect the actual share of fixed cost in the revenue requirement of Distribution licensees, there is need to enhance recovery through fixed charges. The fixed charge shall be so set that it leads to recovery of 100% of the fixed costs of Distribution Licensees.

The above concern of GESCOM is also highlighted in the recently issued Draft Amendments to Tariff Policy, 2018, which reads as below:

"In order to reflect the actual share of fixed cost in the revenue requirement of Distribution licensees, there is need to enhance recovery through fixed charges. The fixed charge shall be so set that it leads to recovery of at least 50% of the fixed costs in case of Domestic and Agriculture categories and at least 75% recovery of fixed costs in case of other categories progressively over next three years. The SERCs and JERCs shall lay down a roadmap to achieve the same."

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Since the fixed charges are inadequate, GESCOM has to borrow some amount to meet its working capital requirements to discharge its fixed liabilities. Increasing tariff by increasing energy charges instead of fixed/ demand charges would result into steep fluctuations in revenue with varying consumption over time. It would also affect GESCOM ability to meet the fixed charges obligation.

Calculations are as under: Proposed Demand charges per KVA per month.

Table-109

Category	Existing Demand Charges (As per tariff order FY-21)	Proposed Demand Charges for FY-23
HT-1	230/KVA	530/KVA
HT-2(a)	240/KVA	540/KVA
HT-2(b)	260/KVA	560/KVA
HT-2(c)	240/KVA	540/KVA
HT-3(a)(i)	1720 / HP/Annum	2020/ HP/Annum
HT - 3b	1780 / HP/Annum	2080/ HP/Annum
HT-4	155/KVA	455/KVA
HT-5	300/HP	600/HP

Hence, it is proposed to revise the demand charges for the HT consumers and above consumers to avoid the loss of fixed charges, if the consumers opt for open access.

Hon'ble Commission is requested to increase the demand charges at least for the HT consumers and reduce the Energy Charges. This will not only helping GESCOM to charge reflective proportion of fixed cost but also helps in developing the competence to participate in the open market to catch the consumers.

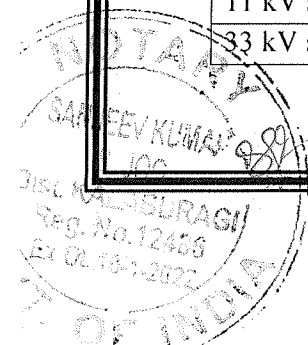
The following table compares Demand Charges for HT Industrial category consumers among some of the States. GESCOM submits that the fixed charges in the neighboring states are relatively higher than those approved for GESCOM. Such charges eventually lead to appropriate fixed charge recovery for these States.

Madhya Pradesh:

Sub-Category of consumer	Monthly Fixed Charge (Rs./kVA of billing demand per month)	Energy Charge for consumption up to 50% load factor (paise/ unit)	Energy Charge for consumption in excess of 50% load factor (paise /unit)
Industrial			
11 kV supply	347	710	610
33 kV supply	570	705	600

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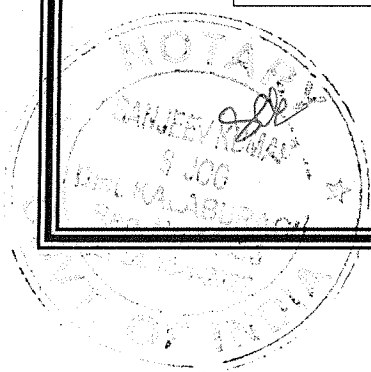
132 kV supply	660	662	565
220/400kV supply	660	620	520
Non-Industrial			
11 kV supply	327	745	655
33 kV supply	470	725	630
132 kV supply	560	680	570
Shopping malls			
11 kV supply	336	725	650
33 kV supply	388	715	610
132 kV supply	520	665	590
Power intensive industries			
33 kV supply	580	540	540
132 kV supply	710	517	517
220 kV supply	710	510	510

Tamil Nadu:

HT INDUSTRIES(HT-1A)		Rs./kVA
Fixed charges		350/kva/month
Energy charges		6.35
Railway traction		
Fixed charges		300/kva/month
Energy charges		6.35
Govt. Educational institution		
Fixed charges		350/kva/month
Energy charges		6.35
Pvt. Educational institution		
Fixed charges		350/kva/month
Energy charges		6.35
HT commercial		
Fixed charges		350/kva/month
Energy charges		8.00

Andhra Pradesh:

HT-I(A): General		Fixed/Demand Charges in/ Month	Energy Charges /Unit
132 KV and above	kVAh	475	5.40
33 KV	kVAh	475	5.85
11 KV	kVAh	475	6.30



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Kerala:

HT-1(A)-Industries	
Demand Charges Rs. /Unit	340
Energy Charges Rs. /Unit	5.75

Telangana:

HT-I(A): Industries		Fixed/Demand Charges in/ Month	Energy Charges Rs. /Unit
132 KV and above	kVAh	390	5.65
33 KV	kVAh	390	6.15
11 KV	kVAh	390	6.65

Maharashtra (Mahadiscom)**HT industrial**

Consumer Category	Demand Charge (Rs/ kVA/ month)	Energy Charge (Rs/kWh)
HT I: HT – Industry		
HT I (A): Industry – General	432	6.96
HT I (B): Industry – Seasonal	432	7.22

HT Commercial

Consumer Category	Demand Charge (Rs/ kVA/ month)	Energy Charge (Rs/kWh)
All Units	432	11.20

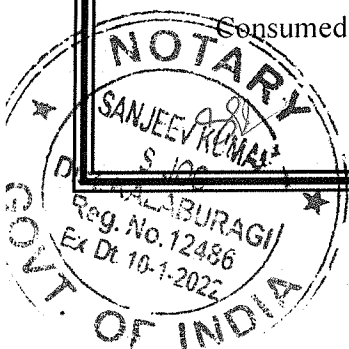
Gujrat (Dakshin Gujrat Vij Company Limited)

Sl. no.	Particulars	Fixed Charges (in Rs. per kVA per Month)	Energy Charges (in Rs. per unit)
A	upto 499 kVA of billing demand	150	4.00
B	For billing demand above 499 kVA and upto 2500 kVA	260	4.20
C	For billing demand above 2500 kVA	475	4.30
D	For billing demand in excess over the contract demand	555	As above

BESCOM has proposed increase in Demand Charges and uniform tariff rates for all units Consumed.

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II. Special Incentive Scheme:

The Hon'ble Commission in its Tariff Order 2021, dtd 09.06.2021 had decided to continue the HT incentive scheme for one year with effective from 01.04.2021 for FY-22 in an attempt to bring back the EHT/HT consumers who are availing power through open access.

In the said incentive scheme, rebate of Rs.1/unit for the consumption over and above the base consumption during 10:00 hrs to 18:00 hrs and rebate of Rs.2/unit during 22:00 hrs to 06:00 hrs is extended.

It is requested to Hon'ble commission to Continue Special incentive scheme for further year. However the Incentive/Rebate to be paid may be fixed at Rs.1/ Unit for the consumption over and above the base consumption during 22:00 Hrs to 06:00 Hrs only.

At the end of September-2021, **54** HT/EHT Consumer have opted for Special Incentive Scheme.

The Commission in the Tariff Order-2021, dtd:09.06.2021 had reduced the Time of Day tariff for the period from December to June and for the period from July to November no Time of Day tariff as the state has surplus power situation.

Since, GESCOM is proposing increase in Demand charges, for HT consumers, simultaneously reducing the Energy charges, for HT 2 a, b, c Category consumers the proposed charges are competitive.

The Hon'ble Commission is requested to consider the increase in the fixed charges and decrease in the energy charges for HT 2 a, b, c Category consumers.

III. Discounted Rate Energy Scheme: (DERS)

The Hon'ble Commission in its Tariff Order 2021, dtd 09.06.2021 had introduced Discounted Energy rate Scheme for HT consumers for the period of six months from July-2021 to December-2021 in an attempt to bring back the EHT/HT consumers who are availing power through open access as the state is has power surplus situation.

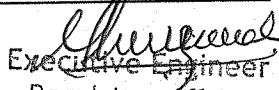
At the end of September-2021, **11** HT/EHT Consumer have opted for the Scheme.

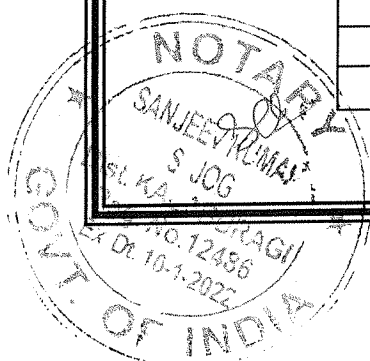
The division wise breakup is hereunder:

Table-110
Discounted Rate Energy Scheme

Division	Number of Consumers	Total Consumption	Total Consumption eligible for DERS
Ballari rural	1	3742250	2203614
Humnabad	5	1255595	468409
koppal	3	8579477	5051029
Sedam	1	12453000	10761000

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Urban Hospet	1	3398000	3159648
Grand Total	11	29428322	21643700

Since, GESCOM is proposing increase in Demand charges, for HT consumers, simultaneously reducing the Energy charges, the proposed charges are very competitive. The Hon'ble Commission is requested to consider the increase in the fixed charges and decrease in the energy charges for HT 2 a, b, c consumers and to discontinue the Discounted Energy Rate Scheme.

1. Incentive for Prompt Payment of Power Purchase Bills:

Power Generators allow rebate as a percentage of the invoiced amount for arranging payment by GESCOM within the prescribed time limit. The Incentive so availed is accounted as Income and shown under Other Income. KERC is allowing GESCOM to retain only 10% of the rebate amount and balance amount passed on to consumers in the retail tariff.

As GESCOM make prompt payment of power purchase bills to earn rebate in spite of severe cash flow problems, the **Hon'ble Commission is requested to allow incentive to be retained by the Company in full.** Allowing incentive amount earned in full to be retained by GESCOM would encourage making prompt payment in all cases and avail the benefit of incentive. Further, this would avoid late payment charges to the extent possible. Such incentive amount would be considered as Internal Resources and utilized appropriately.

Interest on delay in payment of electricity bills by Consumers.

During FY 2020-21, due to covid 19 pandemic, the recovery of electricity bills from consumers was not normal and instructions were there not to enforce recovery proceedings and levy interest for the delayed payment. Installment facility for payment of bills by consumers was also extended. During the pandemic period there was almost decrease in revenue realisation for 6 months as the commercial and industrial establishments were completely closed.

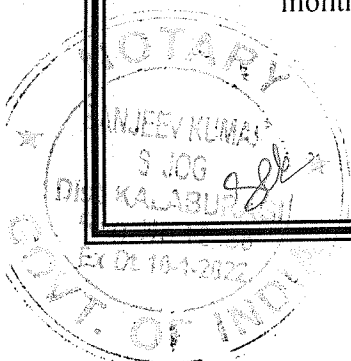
Further, in the Tariff Order, 2021, Commission has directed that

"In view of the prevailing lockdown situation due to Covid -19 Pandemic, the arrears towards revision of Tariff for the energy consumed during the month of April and May, 2021, is ordered to be recovered during the month of October and November, 2021 respectively, without charging any interest.

As a result, there is loss of interest on additional revenue due to tariff revision for the months of April and May 2021 deferred to October and November, 2021.

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The delayed payment of electricity bills will attract interest of 1% PM or 12% p.a. as per the prevailing norms. On the other hand, GESCOM have to pay late payment charges to Power Generators at the rate of 1.5% to 2% PM or 18% to 24% p.a.

On one side, there was steep decrease in revenue collections and the delayed payment of bills by consumers attract 1% p.m interest but on the other side, GESCOM were forced to pay 2% interest as late payment charges to Power Generators for delayed payment. This difference in rate of interest also affected the cash flow of GESCOM. In the current financial year i.e., FY 22, the situation has improved and the economy is almost back to the normal.

Hence, the Hon'ble Commission is requested to approve levying of 2% interest on delayed payment of electricity bills by consumers during FY-23 as a special case to mitigate the loss to some extent

Interest on delay in payment to Generators.

The delayed payment of power purchase bills to Power Generators attracts 1.5% to 2% interest as late payment charges as per the provisions of the PPA. So far, Hon'ble Commission has not allowed late payment charges if any, on the ground that GESCOM are supposed to collect their revenue demand in full and discharge the liabilities in full in time.

Due to Covid-19 pandemic, the energy sales in FY 2021 impacted the in the first half of the year. Due to lockdown and restrictions, the industrial and commercial establishments were shut for almost 6 months. Consequently, there was steep decrease in revenue demand as well as collections. There was loss of cross subsidy amount also during this period as these consumers were contributing the same.

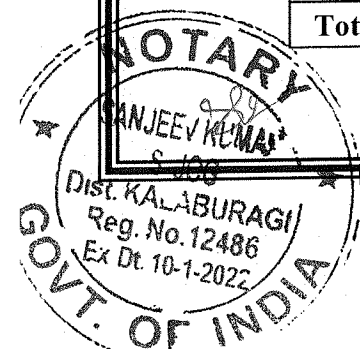
The sales of **GESCOM** witnessed a reduction of **2.53%** on a YoY basis for FY2021. However, there has been improvement since October 2020 and the demand has improved close to pre-covid levels. For FY2021, the sales stood at **7002.24 MU** as compared to **7184.17 MU** in the corresponding period of the previous year. The corresponding HT sales for **FY-21** is **1251.05 MU** as compared to **1445.72MU** in the previous year. The reduction in HT sales and revenue demand for FY-21 over FY-20 is shown below:

Tariff	Sales FY-20	Sales FY-21	Revenue FY-20	Revenue FY-21	Percentage Sales	Percentage Revenue Demand
LT	5738.45	5751.20	3740.85	3761.30	0.22%	0.55%
HT	1445.72	1251.05	1190.31	1123.40	-13.47%	-5.62%
Total	7184.17	7002.25	4931.16	4884.70	-2.53%	-0.94%

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GESCOM owes a total of **Rs.2906.01 Crores** dues to Generating Companies as September 2021. The total overdue amount, which was not cleared even after 45 days of grace period offered by generators, stood at **Rs.2679.40 crore**. Power producers give 45 days to ESCOMs to pay bills for electricity supply. After that, outstanding dues become overdue and generators charge penal interest on that amount.


Due to the COVID pandemic during 2020-21, **GESCOM** has realised **Rs.656.14 Crores** less than the approved revenue. This shortfall in revenue ultimately resulted in default in payment of power purchase bills and high-level payments owed to generation companies (GENCOs).

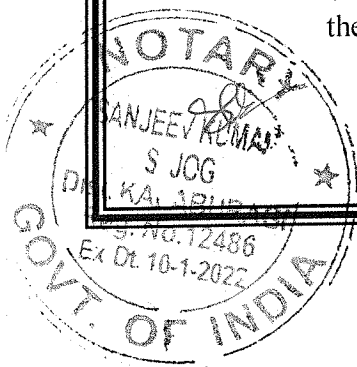
For the above stated reasons, the **Hon'ble Commission** is requested to allow the interest on belated payment to generators for 2020-21 as a special case to help **GESCOM** to tide over the cash crunch problem.

Carrying cost on 'Deficit determined in APR carried over to the ARR of the next Financial Year'

- Normally, KERC carry forward the surplus/deficit if any determined during APR of a financial year to the year next to the following year and include in the ARR of that year.
- Accordingly, for **GESCOM** the revenue deficit of **Rs.1169.90 Crs** determined for FY 2020-21 in APR has been carried forward and included in ARR of FY 23.
- Such deficit is **carried forward** and included in ARR of the next following year **without any carrying cost**. Logically, this amount has been incurred by **GESCOM** in FY 2020-21 and recovery of the same would be in FY 2022-23. This method of considering and deferment of deficit has significant impact on **GESCOM's** financials as Company has to meet its revenue obligations in relevant financial year without any source of income and expect to recover the same through tariff after a gap of more than one year. Time value of money in the entire process need to be considered.
- KERC considers and allows carrying cost on 'Regulatory Asset' recognized in the Tariff Order and factored into the ARR. **Deficit carried forward after truing up is similar to Regulatory Asset** for which also carrying cost needs to be considered.
- Even the Interest on Working Capital is allowed by KERC as per norms and not based on actuals. The interest on Working Capital for meeting shortfall in revenue (which would be considered subsequently) will not be considered. Further, even if the interest is covered in ARR subsequently, the repayment of borrowings for

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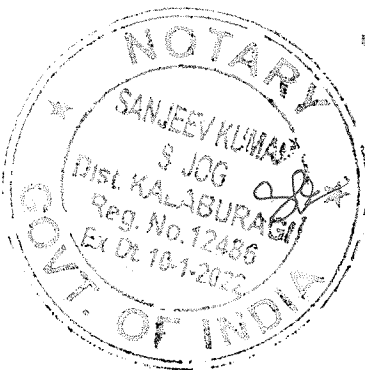

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working capital without any additional source will be a burden on GESCOM and affect the cash flow adversely.

- **GESCOM** is not able to avail short term loan or overdraft easily due to poor financial condition depicted in the financial statement.
- Other impact of such carried forward method is impact on surplus of the Company which has an effect on Reserve and Surplus. Since RoE is determined considering Reserve & Surplus also, RoE would be allowed less by KERC as deficit (gap) would have resulted in negative financial results in that particular year.
- In view of the above points, **Commission is requested to consider allowing carrying cost on deficit determined in Annual Review of Performance** of a particular financial year carried forward to the ARR of the year next to the following year to mitigate the loss of revenue.


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COVID Impact during FY-21

1. Energy Sales and tariff realization:

The energy sales in FY2021 were impacted particularly in the first half of the year due to the Covid-19 pandemic. The sales witnessed a reduction of 9% on a YoY basis in H1 FY2021. However, there has been improvement since October 2020 and the demand has improved close to pre-covid levels. For FY2021, the sales stood at 7002.25 MU as compared to 7184.17 MU in the corresponding period of the previous year. There is reduction of 2.53% in overall sales over the previous years. There is also reduction of 13.47% in HT sales over the previous year.

As against KERC approved revenue of Rs. 5713.28 Crs., GESCOM has been able to realize an amount of Rs.5057.14 Crs. for FY-21. Due to the COVID pandemic the sales for FY-21 has reduced by 181.92 MU over the previous year FY-20. This in turn has reduced the revenue demand by Rs.91.11 Crores for FY-21 over FY-20.

2. Distribution loss levels

Distribution loss (in percentage) approved as per Tariff Order 2020, dated 04.11.2020 is shown below:

Particulars	FY21
Upper limit	14.25
Average	14.00
Lower limit	13.75

The above Distribution loss is revised decreasing by 3 % and approved as per Tariff Order 2021, dated 09.06.2021 is shown below:

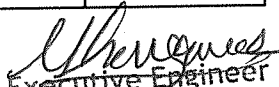
Particulars	FY21
Upper limit	11.25
Average	11.00
Lower limit	10.75

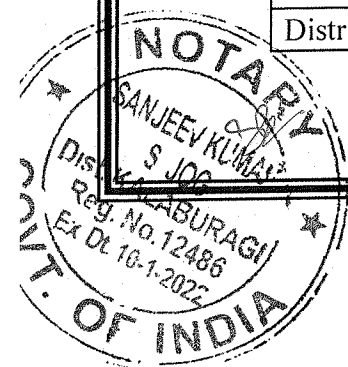
Table-111

GESCOM's distribution Loss is 11.72% for FY-21.

PARTICULARS	Approved As per Tariff Order 2020	Actuals
Sales in MU	7647.04	7002.25
Percentage distribution losses in 14 % for FY-21 as Per Tariff Order 2020 (Revised as 11% as per Tariff Order 2021)	11.00%	11.72%
Distribution losses in MU	978.1101	929.613992

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Energy at interface point in MU	8891.91	7931.86
Percentage transmission losses in %	3.039	6.75
Total energy requirement in MU	9170.6	8506.11

Distribution Losses for FY-21:

The Commission had approved distribution losses for FY-21 as shown in the table below:

Table-112

SL No.	Range	Approved FY-21 As per Tariff order 2021
1	Upper limit	11.25%
2	Average	11.00%
3	Lower Limit	10.75%

The distribution loss of GESCOM for FY-21 is as shown in the table below:

Sl. No	Particulars	For FY-20
1	Input energy at IF points in MU (March-20 to Feb-21)	7931.81
2	Total sales in MU	7002.24
3	Avg. Distribution loss in %	11.72%

In the Tariff Order 2021, Hon'ble Commission has approved revised Upper limit of a distribution loss level of 11.25 % for FY-21, against which the GESCOM has achieved distribution loss of 11.72% during the year for FY-21.

Table-113

Comparison of Approved V/s Actuals sales for FY-21

Category	KERC Approved for FY-21	Actuals for FY-21	Difference	percentage of loss
LT sales	6015.93	5751.20	-264.73	-4.40%
HT sales	1631.1	1251.05	-380.05	-23.30%
Total	7647.03	7002.25	-644.78	-8.43%

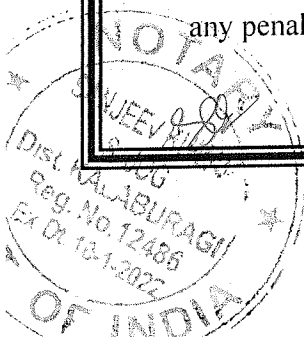
As indicated above the HT Sales could not be achieved owing to the lockdown imposed by Government to curb the spread of COVID-19 Virus, which has resulted significant reduction in HT consumption (23.30%) which is actually zero / Negligible distribution loss consumption, the overall losses of GESCOM are marginally higher than average loss level.

The conditions indicated above were beyond the control of GESCOM and not attributable to the efficiency of Company.

Hence, it is requested to kindly allow the loss level of 11.72% of FY-21 and request not to levy any penalty on the same

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3. Power purchase costs

GESCOM Power Purchase cost In the Tariff Order 2020, dtd 04.11.2020, for FY-21 the power purchase cost was approved at Rs.4650.69 Crores and average power purchase cost approved was Rs. 5.07 per unit. As against the approved quantum, the actual power purchase cost is Rs.4392.87 Crores and the actual average power purchase cost is Rs. 5.16 per unit. Though the power purchase cost has reduced (due to COVID pandemic lockdown) as against the approved quantum, the average power purchase cost has increased over the approved level by 9 paise /unit. If GESCOM had incurred the power purchase cost as per the approved average power purchase of Rs. 5.07/unit then GESCOM's power purchase cost would have been Rs.4312.59 Crores.

4. Equity infusion by GOK

The equity received from GOK is Rs. 112.2 crore for FY-21

5. Impact on cash flows

Energy sales and collections were impacted due to Covid during the first half of FY2021. The GoK vide Govt Order No: ENERGY 128 PSR 2020, Bangalore, Dated: 08.05.2020. Accorded approval to give following reliefs / incentives to the electricity consumers for the months of April, May & June 2020:

1. The Demand / Fixed Charges payable by consumers who are recognized as MSME industries and hold valid certificate in that regard can avail waiver of demand and fixed charges for the months of April and May 2020.
2. The Demand / Fixed charges payable by industries other than industries having valid certification as MSME for the months of April and May 2020 shall be deferred until 30.06.2020.
3. Other relief / incentives given to all category of consumers for the months of April, May and June 2020 i.e., upto 30.06.2020 as follows:
 - i. Consumers who promptly pay the bills raised by ESCOMs shall be entitled to an Incentive / Rebate for prompt payment by way of adjustment in the subsequent month's bill subject to a ceiling limit of Rs. 1 Lakh for HT installations and Rs. 10,000 for LT installations.

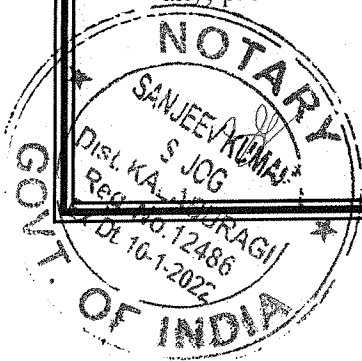
The incentive for prompt payment to be allowed shall be as follows:

- ☐ Between 1 to 5 days: 1%
- ☐ Between 6 to 15 days: 0.50%
- ☐ No rebate for payment between 15 to 30 days.

Note: This incentive/rebate shall be in addition to the existing prompt payment incentive, if any, provided to the consumer under the relevant Tariff orders.


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- ii. Interest for belated payments: The time for payment of dues in terms of the bills raised shall hereby stand extended by a period of an additional 15 days, beyond the 15 days normally provided. For the said period of 30 days, (i.e., 15 days available for payment + 15 days grace period), no interest shall be levied. In respect of Electricity dues which have remained unpaid for a period of 30 days, from the date of presentation of the bills, simple interest at the rate of 0.5% per month, for the actual number of days delay in payment by the consumer will be levied. The minimum interest leviable for delayed payment shall be Re. 1/- in respect of LT installations and Rs.100/- in respect of HT installations.
- iii. Advance payment: Consumers are permitted to pay 12 months bills in advance, by way of cheque / Demand draft / any digital mode to the ESCOM's. A consumer, who pays such bills in advance for the period of 12 months, shall be entitled to incentive at the rate of 0.50% per month for the time for which advance payment is made. The interest would be calculated on the reducing balance after deduction of the electricity billed for the month. Such incentive at the rate of 0.50% shall be given to the consumers as an adjustment in the subsequent bill.
- iv. Providing installments / part payment: As per the manual of delegation of financial powers, ESCOMs to provide installments for a period of 3 months subject to levy of interest as per sl.no 3(ii), if any consumer represents in writing to the Sub-Divisional Officer (Local Office) for payment of April 2020 & May 2020 monthly bills in installments.
- v. Disconnection for non-payment: There shall be no disconnection of electricity supply by the ESCOMs for non-payment of dues for the months of April and May 2020 till 30th June 2020, subject to any provision to pay such dues by installments provided by ESCOM's as per 3(iv) above.

Relief / Incentives extended as per the above Government Order to all Consumers during lock down period FY 2020-21.

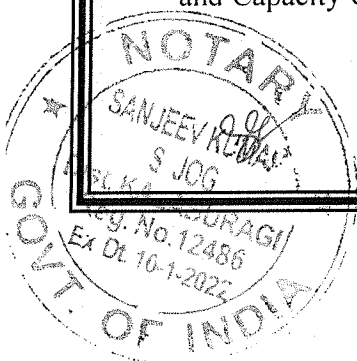
Table-114
Relief / Incentives to MSME consumer

Sl. No.	REBATE TYPE	No of beneficiaries	Amount (Rs in Crs.)
1	COVID19:MSME Waive Off on Demand/Fixed Charges	1379	4.33
	TOTAL MSME Wavier OFF During FY-21	1379	4.33

The waiver of fixed charges to MSME installations affects the liquidity position of the Company, thereby impairing the ability to pay to the generating and transmission companies. MoP, GoI vide Letter dated:06.04.2020 had clarified that the Transmission charges of PGCIL and Capacity Charges of CGS Generators are to be paid.

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GESCOM is functioning on the principle of no loss/no profit basis and its day-to-day expenses, majority of which being power purchase dues to the generators, are met out of day-to-day revenue collection from consumers. If the Demand/Fixed Charges are waived off, GESCOM will find it very difficult to manage the day-to-day activities and may find it extremely difficult to provide uninterrupted power supply to its consumers.

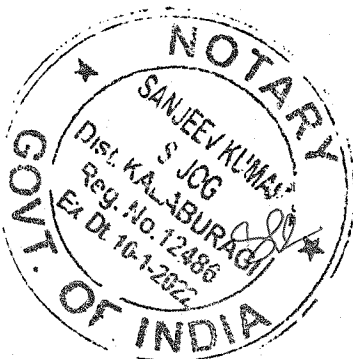
6. Moratorium availed

During COVID lockdown, the Company had availed moratorium on the interest and principal on loans earlier. However, entire interest has been repaid by July 31, 2021. Further, principal repayments have also been made to REC/PFC and thus there is no impact on moratorium.

7. Liquidity Relief Package

GESCOM has availed Rs. 1700 crore of loans from Bank of India, PNB and SBI Bank at competitive interest rates of 7.35%, 7.55% & 7.65% under the liquidity relief scheme by discoms. The tenor of these loans is 10 years and the loans are guaranteed by Government of Karnataka. Karnataka discoms have opted for loans from nationalized banks as opposed to PFC/REC due to competitive interest rates. The proceeds have been used to make payments to central generators and IPPs.

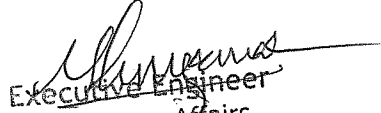

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Prayer

GESCOM respectfully prays that the Hon'ble Commission may please be considered to approve the following:

- Approve the Annual Performance Review for FY-21 as detailed in Chapter-3.
- ARR and ERC proposed as per the MYT principles, as detailed in Chapter- 4 to 6.
- Gap of Rs 1816.94 Crores for FY-23 including Regulatory Assets and deficit of FY-21, carrying cost at the rate of 12% on deficit and Regulatory Assets to be recovered in FY-23 as per KERC order dated 04.11.2020. The overall tariff hike of 236 paise (19% of Fixed Charges Component and 81% of Energy Charge Component) (ie., around 45 paise towards Fixed Charges and 191 paise towards Energy Charges) is proposed for FY-23, across all the category of consumer.
- To approve New proposal proposed, as detailed in Chapter-7.


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