



**KARNATAKA ELECTRICITY REGULATORY COMMISSION**

# **TARIFF ORDER 2018**

OF

# **GESCOM**

**ANNUAL PERFORMANCE REVIEW FOR FY17**

**&**

**REVISION OF ANNUAL REVENUE REQUIREMENT  
FOR FY19**

**&**

**REVISION OF RETAIL SUPPLY  
TARIFF FOR FY19**

**14<sup>th</sup> May, 2018**

---

**No. 16 C-1, Miller Tank Bed Brea,  
Vasanthanagar, Bengaluru-560 052**

**Phone: 080-22268677/22268678/22268679**

**Fax: 080-22268667/22370214**

**Website: [www.karnataka.gov.in/kerc](http://www.karnataka.gov.in/kerc) - E-mail: kerc-ka@nic.in**

# CONTENTS

<b>CHAPTER</b>		<b>Page No.</b>
<b>1</b>	Introduction	<b>3</b>
<b>1.0</b>	Gulbarga Electricity Supply Company Ltd.,	<b>3</b>
<b>1.1</b>	GESCOM at a Glance	<b>5</b>
<b>1.2</b>	Numbers of Consumers, Sales in MU and revenue details of GESCOM up to September 2017.	<b>5</b>
<b>2</b>	Summary of Filing & Tariff Determination Process	<b>7</b>
<b>2.0</b>	Background for Current Filing	<b>7</b>
<b>2.1</b>	Preliminary Observations of the Commission	<b>7</b>
<b>2.2</b>	Public Hearing Process	<b>8</b>
<b>2.3</b>	Consultation with the Advisory Committee of the Commission	<b>9</b>
<b>3.0</b>	Public Consultation	<b>10</b>
<b>3.1</b>	Suggestions / Objections and replies	<b>10</b>
<b>3.2</b>	List of Persons who filed written objections	<b>10</b>
<b>3.3</b>	List of the persons, who made oral submissions during the public hearing	<b>11</b>
<b>4</b>	Annual Performance Review for FY17	<b>12</b>
<b>4.0</b>	GESCOM's Application for APR for FY17	<b>12</b>
<b>4.1</b>	GESCOM's Submission	<b>12</b>
<b>4.2</b>	GESCOM's Financial Performance as per Audited Accounts for FY17	<b>14</b>
<b>4.2.1</b>	Sales for FY17	<b>15</b>
<b>4.2.2</b>	Distribution Losses for FY17	<b>21</b>
<b>4.2.3</b>	Power Purchase for FY17	<b>22</b>
<b>4.2.4</b>	RPO Compliance by GESCOM for FY17	<b>25</b>
<b>4.2.5</b>	Operation and Maintenance Expenses	<b>28</b>
<b>4.2.6</b>	Depreciation	<b>31</b>
<b>4.2.7</b>	Capital Expenditure	<b>33</b>
<b>4.2.8</b>	Interest and Finance Charges	<b>38</b>
<b>4.2.9</b>	Other Debits	<b>42</b>
<b>4.2.10</b>	Net Prior Period Charges	<b>43</b>
<b>4.2.11</b>	Return on Equity	<b>43</b>
<b>4.2.12</b>	Income Tax	<b>45</b>
<b>4.2.13</b>	Other Income	<b>46</b>
<b>4.2.14</b>	Funds towards Consumer Relations /Consumer Education	<b>46</b>
<b>4.2.15</b>	Revenue for FY17	<b>47</b>
<b>4.2.16</b>	Subsidy for FY17	<b>47</b>
<b>4.3</b>	Abstract of Approved ARR for FY17	<b>48</b>
<b>4.3.1</b>	Gap in Revenue for FY17	<b>49</b>
<b>5.0</b>	Annual Revenue Requirement for FY19 GESCOM's Filing	<b>50</b>
<b>5.1</b>	Annual Performance Review for FY19	<b>51</b>
<b>5.2</b>	Revised Annual Revenue Requirement for FY19	<b>51</b>
<b>5.2.1</b>	Capital Investments for FY19	<b>51</b>
<b>5.2.2</b>	Sales Forecast for FY19	<b>54</b>

<b>5.2.3</b>	Distribution Losses for FY19	<b>63</b>
<b>5.2.4</b>	Power Purchase for FY19	<b>65</b>
<b>5.2.5</b>	RPO Target for FY19	<b>69</b>
<b>5.2.6</b>	O & M Expenses for FY19	<b>70</b>
<b>5.2.7</b>	Depreciation	<b>73</b>
<b>5.2.8</b>	Interest on Capital Loans	<b>75</b>
<b>5.2.9</b>	Interest on Working Capital	<b>77</b>
<b>5.2.10</b>	Interest on Consumer Security Deposit	<b>78</b>
<b>5.2.11</b>	Interest and other expenses Capitalized	<b>79</b>
<b>5.2.12</b>	Other Debits and Prior period Debit (charges)/Credit (Income)	<b>80</b>
<b>5.2.13</b>	Return on Equity	<b>80</b>
<b>5.2.14</b>	Other Income	<b>82</b>
<b>5.2.15</b>	Fund towards Consumer Relations / Consumer Education	<b>83</b>
<b>5.3</b>	Abstract of Revised ARR for FY19	<b>83</b>
<b>5.4</b>	Segregation of ARR into ARR for Distribution Business and ARR for Retail Supply Business	<b>85</b>
<b>5.5</b>	Gap in Revenue for FY18	<b>86</b>
<b>6.0</b>	GESCOM's Proposal and Commission's Analysis for FY19	<b>88</b>
<b>6.1</b>	Tariff Application	<b>88</b>
<b>6.2</b>	Statutory Provisions	<b>88</b>
<b>6.3</b>	Factors considered for Tariff setting	<b>89</b>
<b>6.4</b>	New Tariff Proposals by GESCOM	<b>90</b>
<b>6.5</b>	Revenue of existing tariff and deficit for FY19	<b>100</b>
<b>6.6</b>	Wheeling and Banking Charges	<b>131</b>
<b>6.6.1</b>	Wheeling within GESCOM area	<b>133</b>
<b>6.6.2</b>	Wheeling of Energy using Transmission network or network of more than one licensee	<b>134</b>
<b>6.6.3</b>	Charges for Wheeling of energy by RE sources (non REC route) to consumers in the State	<b>135</b>
<b>6.6.4</b>	Charges for Wheeling Energy by RE sources wheeling energy from the state to a consumer/others outside the State and for those opting for renewable energy certificate	<b>135</b>
<b>6.6.5</b>	Banking Charges and Additional Surcharge	<b>135</b>
<b>6.7</b>	Cross Subsidy Charges(CSS)	<b>135</b>
<b>6.8</b>	Other Issues	<b>139</b>
<b>6.8.1</b>	Tariff for Green Power	<b>139</b>
<b>6.9</b>	Other tariff related issues	<b>139</b>
<b>6.10</b>	Cross Subsidy Levels for FY19	<b>142</b>
<b>6.11</b>	Effect of Revised Tariff	<b>143</b>
<b>6.12</b>	Summary of the Tariff Order	<b>143</b>
<b>6.13</b>	Commission's Order	<b>145</b>
	Appendix	<b>147</b>
	Appendix-1	<b>196</b>

## LIST OF ANNEXURES

ANNEXURE NO.	DETAILS OF ANNEXURES	Page No.
I	ESCOM's total Approved Power Purchase for FY19	220
II	GESCOM's Ppproved Power Purchase for FY19	224
III	Proposed and Approved Revenue and Realization and level of Cross Subsidy for FY19	228
IV	Electric Tariff for FY19	229

## LIST OF TABLES

Table No.	Content	Page No.
4.1	ARR for FY17 – GESCOM's Submission	13
4.2	Financial Performance of GESCOM for FY17	14
4.3	GESCOM's Accumulated Profit / Losses	15
4.4	Category-wise sales approved & actuals for FY 17	16
4.5	Category wise sales-GESCOM	21
4.6	Power Purchase for FY 17-Approved and Actuals	23
4.7	Short-fall in supply from KPCL Hydel Stations	24
4.8	Non-Solar RPO Compliance by GESCOM for FY 17	26
4.9	Solar RPO Compliance by GESCOM for FY 17	26
4.10	O & M Expenses – GESCOM's Submission	28
4.11	Approved O & M Expenses as per Tariff Order dated 30.03.2016	28
4.12	Computation of Allowable Inflation Rate	29
4.13	Normative O & M Expenses	30
4.14	Allowable O & M Expenses for FY 17	31
4.15	Depreciation for FY 17-GESCOM Submission	31
4.16	Allowable Depreciation for FY 17	32
4.17	Capital expenditure of GESCOM for the FY 17	33
4.18	Details of Hazardous Installations Rectified during FY 17	36
4.19	Allowable Interest on Loans-FY 17	39
4.20	Allowable Interest on Working Capital for FY 17	40
4.21	Allowable Interest and Finance Charges	42
4.22	Allowable Other Debits	43
4.23	Status of Debit Equity Ratio for FY 17	44
4.24	Allowable Return on Equity	45
4.25	Return on equity for the additional equity received during FY 17	45
4.26	Approved revised ARR for FY 17 as per APR	48
5.1	Revised ARR for FY 18-GESCOM's Submission	50
5.2	Capital expenditure proposed by the GESCOM for the FY 19	52

<b>5.3</b>	Approved Sales to IP set Installations	<b>60</b>
<b>5.4</b>	Format for furnishing IP set Consumption	<b>62</b>
<b>5.5</b>	Approved Number of Installations and Sales for FY19	<b>62</b>
<b>5.6</b>	Approved & Actual Distribution Losses FY12 to FY 17	<b>64</b>
<b>5.7</b>	Approved Distribution Losses for FY 19	<b>64</b>
<b>5.8</b>	Consolidated projections filed by GESCOM with approved quantum	<b>65</b>
<b>5.9</b>	GESCOM's Approved Power Purchase for FY 19	<b>69</b>
<b>5.10</b>	Revised O & M Expenses for FY 19-GESCOM's Proposal	<b>71</b>
<b>5.11</b>	Approved O & M Expenses for FY 19 as per Tariff Order dated 30 <sup>th</sup> March 2016	<b>71</b>
<b>5.12</b>	Approved O & M expenses for FY 19	<b>73</b>
<b>5.13</b>	Depreciation FY 19-GESCOM's Submission	<b>73</b>
<b>5.14</b>	Approved Depreciation for FY 19	<b>74</b>
<b>5.15</b>	Interest on Capital Loan-GESCOM's Submission	<b>75</b>
<b>5.16</b>	Approved Interest on Loans for FY19	<b>77</b>
<b>5.17</b>	Approved Interest on Working Capital for FY 19	<b>78</b>
<b>5.18</b>	Approved Interest on consumer security deposits for FY 19	<b>79</b>
<b>5.19</b>	Approved Interest and fiancé charges for FY19	<b>79</b>
<b>5.20</b>	Return on Equity-GESCOM Submission	<b>80</b>
<b>5.21</b>	Status of Debt Equity Ratio for FY 19	<b>81</b>
<b>5.22</b>	Approved Return on Equity for FY 19	<b>82</b>
<b>5.23</b>	Approved Revised ARR for FY 19	<b>83</b>
<b>5.24</b>	Approved Segregation of ARR – FY 19	<b>85</b>
<b>5.25</b>	Approved Revised ARR for Distribution Business – FY19	<b>85</b>
<b>5.26</b>	Approved ARR for Retail Supply Business FY 19	<b>86</b>
<b>5.27</b>	Revenue Gap for FY 19	<b>87</b>

## LIST OF ANNEXURES

SL.NO.	DETAILS OF ANNEXURES	Page No.
I		
II		
III		
IV		

<b>ABBREVIATIONS</b>	
AAD	Advance Against Depreciation
AEH	All Electric Home
ABT	Availability Based Tariff
A & G	Administrative & General Expenses
ARR	Annual Revenue Requirement
ATE	Appellate Tribunal for Electricity
BST	Bulk Supply Tariff
CAPEX	Capital Expenditure
CCS	Consumer Care Society
CERC	Central Electricity Regulatory Commission
CEA	Central Electricity Authority
CPI	Consumer Price Index
CWIP	Capital Work in Progress
DA	Dearness Allowance
DCB	Demand Collection & Balance
DPR	Detailed Project Report
EA	Electricity Act
EC	Energy Charges
ERC	Expected Revenue From Charges
ESAAR	Electricity Supply Annual Accounting Rules
ESCOMs	Electricity Supply Companies
FA	Financial Adviser
FKCCI	Federation of Karnataka Chamber of Commerce & Industry
FR	Feasibility Report
FoR	Forum of Regulators
FY	Financial Year
GESCOM	Gulbarga Electricity Supply Company
GFA	Gross Fixed Assets
GoI	Government Of India
GoK	Government Of Karnataka
GRIDCO	Grid Corporation
HP	Horse Power
HRIS	Human Resource Information System
ICAI	Institute of Chartered Accountants of India
IFC	Interest and Finance Charges
IW	Industrial Worker
IP SETS	Irrigation Pump Sets
KASSIA	Karnataka Small Scale Industries Association
KEB	Karnataka Electricity Board
KER Act	Karnataka Electricity Reform Act
KERC	Karnataka Electricity Regulatory Commission
KM/Km	Kilometre
KPCL	Karnataka Power Corporation Limited

KPTCL	Karnataka Power Transmission Corporation Limited
KV	Kilo Volts
kVA	Kilo Volt Ampere
kW	Kilo Watt
kWH	Kilo Watt Hour
LDC	Load Despatch Centre
MAT	Minimum Alternate Tax
MD	Managing Director
MFA	Miscellaneous First Appeal
MIS	Management Information System
MoP	Ministry of Power
MU	Million Units
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi Year Tariff
NFA	Net Fixed Assets
NLC	Neyveli Lignite Corporation
NCP	Non Coincident Peak
NTP	National Tariff Policy
O&M	Operation & Maintenance
P & L	Profit & Loss Account
PLR	Prime Lending Rate
PPA	Power Purchase Agreement
PRDC	Power Research & Development Consultants
REL	Reliance Energy Limited
R & M	Repairs and Maintenance
ROE	Return on Equity
ROR	Rate of Return
ROW	Right of Way
RPO	Renewable Purchase Obligation
SBI	State Bank of India
SCADA	Supervisory Control and Data Acquisition System
SERCs	State Electricity Regulatory Commissions
SLDC	State Load Despatch Centre
SRLDC	Southern Regional Load Dispatch Centre
STU	State Transmission Utility
TAC	Technical Advisory Committee
TCC	Total Contracted Capacity
T&D	Transmission & Distribution
TCs	Transformer Centres
TPC	Tanirbavi Power Company
TR	Transmission Rate
VVNL	Visvesvaraya Vidyuth Nigama Limited
WPI	Wholesale Price Index
WC	Working Capital