

## CHAPTER – 4

### ANNUAL PERFORMANCE REVIEW FOR FY19

#### 4.0 GESCOM's Application for APR for FY19:

The GESCOM has filed its application on 29<sup>th</sup> November, 2019, for Annual Performance Review (APR) of FY19 based on the audited accounts and for revision of Annual Revenue Requirement (ARR) and revision of retail supply tariff for FY21, under the provisions of the MYT Regulations.

The Commission, in its letter dated 18<sup>th</sup> December, 2019 had communicated its preliminary observations on the application of the GESCOM. The GESCOM, in its letter dated 2<sup>nd</sup> January, 2020 has furnished replies to the preliminary observations of the Commission.

The Commission, in its Tariff Order dated 14<sup>th</sup> May, 2018, had approved the GESCOM's revised Annual Revenue Requirement (ARR) of Rs.4707.08 Crores for FY19 and based on the said ARR, allowed revised retail supply tariff for FY19.

The Annual Performance Review (APR) of GESCOM for FY19, based on the audited accounts, is discussed in this chapter.

#### 4.1 GESCOM's Submission:

The GESCOM has submitted its proposals for revision of ARR under APR for FY19 based on the Audited Accounts, as follows:

**TABLE – 4.1**  
**ARR for FY19 – GESCOM's Submission**

Amount in Rs. Crores

| Sl. No | Particulars               | FY19   |          |
|--------|---------------------------|--|----------|
|        |                           | As approved in Tariff Order dated 14.05.2018 | As filed |
| 1      | Energy at Gen Bus in MU   | 8474.32                                      | 9306.90  |
| 2      | Energy at Interface in MU | 8213.06                                      | 8796.04  |
| 3      | Distribution Losses in %  | 15.00%                                       | 14.41%   |
|        | <b>Sales in MU</b>        |  |          |

| Sl. No | Particulars   | FY19   |                |
|--------|---|--|----------------|
|        |   | As approved in Tariff Order dated 14.05.2018 | As filed       |
| 4      | Sales to other than IP & BJ/KJ                      | 3455.84                                      | 3767.93        |
| 5      | Sales to BJ/KJ                                      | 140.78                                       | 245.40         |
| 6      | Sales to IP   | 3384.48                                      | 3514.97        |
| 7      | <b>Total Sales</b>                                  | <b>6981.10</b>                               | <b>7528.30</b> |
|        | <b>Revenue from tariff and Misc. Charges:</b>       |  |                |
| 8      | Revenue from tariff and Misc. Charges               | 2679.65                                      | 2919.90        |
| 9      | Tariff Subsidy for BJ/KJ                            | 94.89  | 159.62         |
| 10     | Tariff Subsidy for IP                               | 1932.54                                      | 1998.92        |
| 11     | <b>Total Revenue</b>                                | <b>4707.08</b>                               | <b>5078.44</b> |
|        | <b>Expenditure:</b>                                 |  |                |
| 12     | Power Purchase Cost                                 | 2909.59                                      | 3589.65        |
| 13     | Transmission charges of KPTCL                       | 354.27                                       | 356.70         |
| 14     | SLDC Charges  | 2.89   | 2.89           |
|        | <b>Total Power Purchase Cost</b>                    | <b>3266.75</b>                               | <b>3949.24</b> |
| 15     | Employee Cost                                       |  | 529.21         |
| 16     | Repairs & Maintenance                               | 557.44                                       | 45.85          |
| 17     | Admin & General Expenses                            |  | 118.78         |
|        | <b>Total O&amp;M Expenses</b>                       | <b>557.44</b>                                | <b>693.84</b>  |
| 18     | Depreciation  | 155.22                                       | 145.66         |
|        | <b>Interest &amp; Finance charges;</b>              |  |                |
| 19     | Interest on Loans                                   | 127.53                                       | 97.54          |
| 20     | Interest on Working capital                         | 96.17  | 156.56         |
| 21     | Interest on belated payment on PP Cost              | 0.00   | 0.00           |
| 22     | Interest on consumer deposits                       | 30.93  | 31.94          |
| 23     | Other Interest & Finance charges                    | 0.00   | 0.00           |
| 24     | Less: interest capitalized                          | -4.28  | -2.26          |
|        | <b>Total Interest &amp; Finance charges</b>         | <b>250.35</b>                                | <b>283.78</b>  |
| 25     | Other Debits  | 0.00   | 68.91          |
| 26     | Net Prior Period Debit/Credit                       | 0.00   | 0.00           |
| 27     | Return on Equity                                    | 56.80  | 0.00           |
| 28     | Provision for taxation                              | 0.00   | 0.00           |
| 29     | Funds towards Consumer Relations/Consumer Education | 0.50   | 0.00           |
| 30     | Other Income  | -45.04                                       | -82.33         |
| 31     | <b>ARR</b>  | <b>4242.02</b>                               | <b>5059.10</b> |
| 32     | Deficit for FY17 carried forward                    | 465.06                                       | 0.00           |
|        | <b>Net ARR</b>                                      | <b>4707.08</b>                               | <b>5059.10</b> |

Considering the revenue of Rs.5078.44 Crores against the net ARR of Rs.5059.10 Crores, GESCOM has reported a surplus in revenue of Rs.19.34 Crores for FY19.

#### 4.2 GESCOM's Financial Performance as per the Audited Accounts for FY19:

An overview of the financial performance of the GESCOM for FY19 as per its Audited Accounts is given below:

**TABLE – 4.2**

**Financial Performance of GESCOM for FY19**

| Amount in Rs. Crores |                                |                |
|----------------------|--------------------------------|----------------|
| Sl. No.              | Particulars                    | FY19           |
| 1                    | Revenue from sale of power     | 5078.44        |
| 2                    | Other Income                   | 127.65         |
| 3                    | <b>Total Revenue</b>           | <b>5206.09</b> |
| 4                    | <b>Expenditure</b>             |                |
| 5                    | Power Purchase Cost            | 3949.24        |
| 6                    | Employee cost                  | 529.22         |
| 7                    | Interest and Finance Cost      | 283.77         |
| 8                    | Depreciation                   | 190.99         |
| 9                    | Other Expenses                 | 233.53         |
| 10                   | Regulatory Income              | -328.73        |
| 11                   | Other Comprehensive income     | 28.29          |
| 12                   | Total Expenditure              | 4886.32        |
| 13                   | <b>Net profit for the year</b> | <b>319.77</b>  |

As per the Audited Accounts, the GESCOM has earned a profit of Rs.319.77 Crores after accounting Regulatory Income of Rs.328.73 Crores for FY19. The yearly profits / losses reported by the GESCOM in its audited accounts in the previous years are as follows:

**TABLE – 4.3**

**GESCOM's Accumulated Profit / Losses**

| Particulars                                     | Amount in Rs. Crores |
|---|----------------------|
| Accumulated losses as at the end of FY15        | -420.84              |
| Losses incurred in FY 16                        | -131.25              |
| Losses incurred in FY 17                        | -324.86              |
| Losses incurred in FY18                         | -472.63              |
| Profit earned in F19                            | 348.06               |
| Restated Balances                               | 0.92                 |
| <b>Accumulated losses as at the end of FY19</b> | <b>1002.44</b>       |

As seen from the above table, the GESCOM has accumulated losses of Rs.1002.44 Crores, as at the end of FY19.

As per the provisions of the MYT Regulations, the Commission has taken up the Annual Performance Review for FY19, duly considering the actual revenue and expenditure booked as per the Audited Accounts vis-à-vis the revenue and expenditure approved by the Commission in its Tariff Order dated 14<sup>th</sup> May, 2018. The item-wise review of expenditure and the revenue and the decisions of the Commission thereon are discussed in the following paragraphs:

#### **4.2.1 Sales for FY19:**

##### **A. Sales -other than IP Sets:**

##### **1. Annual Performance Review for FY19**

a. The Commission, in its Tariff Order 2018 dated 14.05.2018, had approved total sales to various consumer categories at 6981.10 MU, as against GESCOM's proposed sales of 7171.82 MU. The actual sales of GESCOM, as per the current APR filing [D-2 FORMAT] is 7528.29 MU, indicating an increase in sales to the extent of 547.18 MU with respect to the approved sales. There is an increase in sales to LT-categories by 288.70 MU and HT-categories by 258.48 MU.

The Commission had noted that, as against the approved sales of 3455.84 MU to categories other than BJ/KJ and IP sets, the actual sales achieved by GESCOM is 3775.84 MU, resulting in increased sales to these categories by 319.99 MU. Further, GESCOM has sold 3752.45 MU to BJ/KJ and IP category against approved sales of 3525.26 MU resulting in increased sales to these categories by 227.19 MU.

The category-wise sales approved by Commission and the actuals for FY19 are indicated in the table below:

**TABLE – 4.4**  
**Category Wise sales approved & actuals for FY19**

Energy Sales in MU

| Tariff Category    | Consumer Category                   | Approved       | Actuals        | Difference (MU) (Actuals-Approved) |
|--------------------|-------------------------------------|----------------|----------------|------------------------------------|
| LT1                | Consuming more than 40 units/month  | 28.35          | 7.93           | -20.42                             |
| LT-2a              | Domestic / AEH                      | 1189.46        | 1122.19        | -67.27                             |
| LT-2b              | Pvt. Educational Institutions       | 13.04          | 13.94          | 0.90                               |
| LT-3               | Commercial                          | 317.25         | 325.51         | 8.26                               |
| LT-4b              | IP >10 HP                           | 2.41           | 9.65           | 7.24                               |
| LT-4c              | Pvt. Nurseries, Coffee & Tea        | 1.66           | 1.04           | -0.62                              |
| LT-5               | LT Industries                       | 167.88         | 171.63         | 3.75                               |
| LT-6               | Water Supply                        | 243.51         | 356.66         | 113.15                             |
| LT-6               | Public Lighting                     | 235.81         | 252.69         | 16.88                              |
| LT-7               | Temporary Supply                    | 20.45          | 20.10          | -0.35                              |
| HT-1               | Water Supply & Sewerage             | 105.45         | 111.45         | 6.00                               |
| HT-2a              | Industrial                          | 906.94         | 1144.22        | 237.28                             |
| HT-2b              | Commercial                          | 79.36          | 72.98          | -6.38                              |
| HT-2c              | Govt./Aided Hospital & Edu.         | 25.50          | 26.28          | 0.78                               |
| HT-3a & b          | Lift Irrigation & Agriculture       | 94.71          | 113.55         | 18.84                              |
| HT-4               | Residential Apartment, Colonies     | 13.07          | 14.40          | 1.33                               |
| HT-5               | Temporary Supply                    | 10.99          | 11.62          | 0.63                               |
| <b>Sub total</b>   |                                     | <b>3455.85</b> | <b>3775.84</b> | <b>319.99</b>                      |
| LT-1               | BJ/KJ consuming upto 40 units/month | 140.78         | 237.48         | 96.70                              |
| LT4(a)             | IP Sets upto 10 HP & below          | 3384.48        | 3514.97        | 130.49                             |
| <b>Sub total</b>   |                                     | <b>3525.26</b> | <b>3752.45</b> | <b>227.19</b>                      |
| <b>Grand total</b> |                                     | <b>6981.11</b> | <b>7528.29</b> | <b>547.18</b>                      |

- b. The Commission had observed that the major categories contributing to the reduction in sales with respect to the estimates are LT-2(a) and HT2(b) and those contributing to the increase in sales were LT6 Water Supply, HT-2(a), BJ/KJ and IP set installations.
- c. GESCOM had attributed the reduction in sales in LT2a category to DSM measures like installation of LED bulbs, SWHs etc. However, GESCOM had

not quantified the energy savings. Hence, GESCOM was directed to quantify the energy savings in FY19 due to DSM measures.

GESCOM in its replies has submitted that, the actual number of installations in FY19 is less by 9,550 numbers than that approved, resulting in lower consumption with respect to approved figures. Further, it is submitted that, during February, 2016 to March 2019, 1,23,114 numbers of 9W LED bulbs, 7358 numbers of 20 W LED Tube lights and 2279 numbers of energy efficient fans have been distributed, resulting in savings of 65.614 MU, 0.42 MU and 0.122 MU respectively.

The Commission notes that the total savings of 66.156 MU indicated by GESCOM is based on cumulative additions of LED bulbs, LED tube-lights and Energy efficient fans. However, GESCOM should have considered only the number of such installations added during FY19 to assess the impact of DSM during FY19.

- d. GESCOM had attributed the increase in HT-2a sales to 49 consumers opting for special incentive scheme. GESCOM was directed to quantify the sales month-wise and the increase due to special incentive scheme and submit the same.

GESCOM has submitted that five consumers out of 49 consumers were major consumers under special incentive scheme. Furnishing details for July-18 to September-19 for these consumers, it is submitted that the sales above the base consumption has increased in the range of 23.72% to 166.75%.

- e. Similarly, GESCOM was directed to analyze the reasons for increase in BJ/KJ and LT6 WS sales.

The reason for increase in BJ/KJ installations is attributed to the GoK order increasing the consumption from 18 units/month/installation to 40 units/month/installation.

The Commission notes that the reply furnished is not satisfactory. The specific consumption per month for BJ/KJ installations consuming less than or equal to 40 units/month/ installation has increased from 20 units in FY18

to 33.62 units, which is about 68% increase, indicating inefficient use of electricity. GESCOM shall ensure that BJ/KJ installations use energy efficient LED bulbs, EE fans etc., so that the subsidy burden on GoK is reduced.

Regarding LT Water Supply installations, GESCOM has submitted that based on the action plan of ULBs & RLBs the consumption has increased.

The Commission notes that GESCOM has made a statement which is not supported by any documentary evidence to ascertain the increase in sales to LT-WS.

2. GESCOM was directed to furnish the data of sales to HT2(a), HT2(b), HT-2c and HT-4 categories along with the consumption from open access / wheeling for the financial years 2017-18 and 2018-19 in the specified format.

GESCOM has furnished the same in its replies.

#### **B. Sales to IP sets – APR for FY19:**

1. In its Tariff Order dated 14<sup>th</sup> May, 2018, the Commission had approved 9,314 units / IP Sets / annum as the specific consumption of IP sets for the FY19. Whereas, the specific consumption as reported by the GESCOM, in its Tariff application for APR for FY19, works out to 9,594 units / IP Sets/ annum, indicating an increase in the specific consumption by 280 units / IP Sets / annum accounting for 3.00% increase.
2. Total sales to IP sets approved by the Commission for FY19 in the Tariff Order is 3,384.48 MU. As reported by GESCOM in the D-2 format of tariff filing the actual consumption is 3,514.97 MU, indicating an increase of 130.49 MU, i.e., the sales have increased by 3.86%.
3. As reported by GESCOM, the number of IP set installations in service at the end of FY19 are 3,81,097 as against the approved numbers of 3,71,965 which corresponds to an increase of 9,141 i.e., the number of installations has increased by 2.45%.

The details of sales to IP sets for FY19 as approved by the Commission, in its Tariff Order 2018 and the actual sales as furnished by GESCOM in its APR application for FY19 are as follows;

| Particulars  | As approved by the Commission in ARR for FY19 | As submitted by GESCOM Mysore for APR of FY19 |
|--|---|---|
| Number of installations                              | 3,71,965                                      | 3,81,097                                      |
| Mid-year number of installations                     | 3,63,376                                      | 3,66,362                                      |
| Specific consumption in units / installation / annum | 9,314   | 9,594.25                                      |
| Sales in MU  | <b>3,384.48</b>                               | <b>3,514.97</b>                               |

4. The Commission, in its preliminary observations had directed GESCOM to furnish the reasons for increase in sales and specific consumption as compared to the approved figures for FY19 and also for the increase sales and specific consumption, as compared with the actuals of FY18. GESCOM, in its replies to the preliminary observations, has informed that, the increase in consumption is mainly in the Districts of Bellary, Raichur and Koppal, which are rich in paddy cultivation, requiring more water resulting in substantial increase in cultivation during FY19. GESCOM, in its replies, has furnished the data obtained from the Agriculture Department while furnishing replies to the preliminary observations. Also, power supply to the IP set category was made available for a duration of 7 hours in a single batch during the day time, as against supplying power in 2 batches (4 hours during day and 3 hours in the night) made during FY18, which has resulted in increase in the sales and specific consumption of IP sets, during FY19.
5. As per the detailed computations of sales to IP sets, feeder-wise, month-wise data submitted by GESCOM for FY19 vide e-mail dated 24.10.2019, the total sales were computed as 3511.47 MU, whereas in the accounts and as per the filing (D-2 Format), it is indicated as 3514.97 MU. Thus a difference of 3.50 MU was observed and it was noticed that GESCOM has furnished different figures in different pages of the Tariff application i.e., 3511.40 MU in Table 10(a) on page No 17, and 3513.94 MU in Table 45(a)



on page No.143. GESCOM was directed to furnish the reasons for these variations and furnish the correct figures. In its replies to the preliminary observations, GESCOM has informed that, after detailed verification, it has rectified the inconsistency in the data and re-submitted the data substantiating the sales to IP sets.

6. The GESCOM has submitted the data of consumption by IP sets by considering a uniform distribution loss of 6% for all agricultural feeders in its submission in feeder-wise, month-wise computations. GESCOM was directed to substantiate its claims for considering the uniform distribution losses for all agricultural feeders and directed it to furnish the distribution losses considered and the consumption by other loads separately. In its replies to preliminary observations, GESCOM has furnished the actual distribution losses of the Urban and Rural feeders that are considered for computation of sales to IP sets. However, the Commission directs GESCOM to consider the losses for the year of assessment as directed by the Commission in the previous Tariff Orders while assessing sales to IP sets in future, by separately providing the distribution loss component and the consumption by other loads.
7. The Commission, in its preliminary observations had directed GESCOM to furnish the reasons for the difference in number of IP Set installations as per GPS survey and the IP set assessment data submitted, the action taken to reconcile the number of IP installations with the DCB figures. Whereas, GESCOM, has failed to report the precise details of actual number of IP installations existing in the field, working IP sets, permanently disconnected IP sets for both the authorized and unauthorized categories, action taken to regularize the unauthorized IP sets etc., and the action taken to match the data of the GPS survey with the DCB figures.
8. **The Commission, hereby directs GESCOM to complete the pending survey work, if any, at the earliest and submit the data of total number of existing IP sets, defunct / dried up etc., within 3 months from the date of this Order, without any ambiguity. If the data is not received in time, the Commission would restrict the sales to IP sets for FY20, on the data of GPS survey**

**received during the Tariff Filing for APR of FY19 and ARR of FY21 and would pass necessary orders thereon.**

9. Based on the actual specific consumption of IP sets per annum for FY19, as reported by GESCOM i.e., 9,594 units per IP Set per annum, the monthly consumption works out to 799.52 units per IP Set per month. Whereas, the specific consumption per IP set per month was found to be very high in few of the Subdivisions, to an extent of 22,429 units, 21,347 units, 18,742 units, 11,952 units, and 10,824 units per IP set per month, in few feeders, especially in the jurisdiction of O&M Subdivision of Koppal, Gangavathi, Raichur RSD, Gangavathi respectively during the month of March 2019 and in other feeders during other months as well. GESCOM was directed to furnish the reasons for such a high specific consumption per IP set per month for all the feeders, where it is seen. In its replies to preliminary observations, GESCOM has furnished that the reasons for abnormal specific consumption are mainly improper tagging of IP set installations to the respective feeders. In view of the above, GESCOM was directed to re-submit the computations of sales to IP sets considering all the relevant facts. GESCOM cited the examples of normal values of specific consumption by considering actual numbers of IP set installations existing in few of the feeders. It is observed that, after considering the actual number of IP installations in those feeders, the average consumption per IP set per month is in the acceptable range. As per the example furnished in its replies to preliminary observations and considering the above facts, GESCOM re-submitted the sales to IP sets, feeder-wise, month-wise, in the Commission's prescribed formats vide e-mail dated 05.02.2020. On a further review of the data, the Commission made further observations in the matter of application of the formula in GESCOM's calculation sheets etc., Finally, GESCOM has re-submitted the corrected calculation sheets vide e-mail dated 08.02.2020 and as per the data, the average consumption per IP per month during all the months is within the acceptable range and the total sales to IP sets works out to 3514.97 MU.
10. The details of sales to IP Set installations for FY19, as per the revised submissions are as follows;

| Particulars  | As submitted by GESCOM for APR of FY19 | As approved by the Commission for APR of FY19 |
|--|--|---|
| Number of installations                              | 3,81,097                               | 3,81,097                                      |
| Mid-year number of installations                     | 3,66,362                               | 3,66,362                                      |
| Specific consumption in units / installation / annum | 9,594                                  | 9,594   |
| Sales in MU  | <b>3,514.97</b>                        | <b>3,514.97</b>                               |

As per the above computation, the Commission hereby approves 3,514.97 MU of energy, as sales to the IP sets for FY19, as computed and submitted by GESCOM.

**Based on the above discussion, the total sales for FY19, based on audited accounts data, as approved by the Commission are indicated in the following table:**

**TABLE - 4.5**  
**Approved Category wise sales for FY19**

| Energy in Million Units |                                   |                |
|-------------------------|-----------------------------------|----------------|
| Category                |                                   | Approved       |
| LT-2a*                  | Domestic /AEH                     | 1130.12        |
| LT-2b                   | Pvt. Educational Institutions     | 13.94          |
| LT-3                    | Commercial                        | 325.51         |
| LT-4b                   | IP > 10 HP                        | 9.65           |
| LT-4c                   | Pvt. Nurseries, Coffee & Tea      | 1.04           |
| LT-5                    | LT Industries                     | 171.63         |
| LT-6                    | Water Supply                      | 356.66         |
| LT-6                    | Public Lighting                   | 252.69         |
| LT-7                    | Temporary Supply                  | 20.10          |
| HT-1                    | Water Supply & Sewerage           | 111.45         |
| HT-2a                   | Industrial                        | 1144.22        |
| HT-2b                   | Commercial                        | 72.98          |
| HT-2c                   | Govt./Aided Hospital & Edu.       | 26.28          |
| HT-3a & b               | Lift Irrigation & Agriculture     | 113.55         |
| HT-4                    | Residential Apartments – Colonies | 14.40          |
| HT-5                    | Temporary supply                  | 11.63          |
| <b>Sub total</b>        |                                   | <b>3775.85</b> |
| LT1                     | BJ/KJ                             | 237.48         |
| LT4(a)                  | IP Sets upto 10 HP & below        | 3514.97        |
| <b>Sub total</b>        |                                   | <b>3752.45</b> |
| <b>Grand total</b>      |                                   | <b>7528.30</b> |

\*Including BJ/KJ installations consuming more than 40 units/month.

#### 4.2.2 Distribution Loss for FY19:

The Commission in its Tariff Order dated 14<sup>th</sup> May, 2018 had approved the distribution loss for FY19 as follows:

| Range          | FY19          |
|----------------|---------------|
| Upper limit    | 15.50%        |
| <b>Average</b> | <b>15.00%</b> |
| Lower Limit    | 14.50%        |

The GESCOM, in its annual accounts, has reported the distribution loss at 14.41 per cent for FY19 as under:

|          |   |               |
|----------|---|---------------|
| 1        | Energy at Interface Points in MU                                      | 8796.04       |
| 2        | Total sales including wheeled energy in MU                            | 7528.30       |
| <b>3</b> | <b>Distribution loss as a percentage of input energy at IF points</b> | <b>14.41%</b> |

#### Commission's Analysis and Decisions:

The Commission in its preliminary observation had observed that GESCOM had computed the distribution loss for FY19 by considering the energy at the Interface points for the period March, 2018 to February, 2019, and energy at generation bus and sales figures have been considered for the period April 2018 to March, 2019. GESCOM was directed to compute and submit the distribution losses for FY19 by considering the energy at Interface points for the financial year considering the period as from April to March of a financial year.

GESCOM, in its reply to the preliminary observations, has submitted that the consumption for the month of March will be reflected in April month's sales as the billing for various categories of installations starts from 1<sup>st</sup> of every month and continues up to 15<sup>th</sup>, the same is reflected in the next month DCB and accordingly the distribution losses were computed.

The Commission also notes that GESCOM, in its filing as per Table-40, had indicated the actual distribution losses in some of the towns/cities in the range of 14.94% to 21.72% during FY19 and 14.59% to 20.35% up to September, 2019 during FY20, which is more than the actual average

distribution losses of 14.41% of the Company for FY19. The Commission opined that the GESCOM had invested huge capital expenditure during the previous years, and despite this, the distribution losses in the some of the cities/towns were found to be abnormal. The Commission had directed GESCOM to analyze the reasons for the abnormal losses in these cities/towns and to submit an action plan for reduction of the losses.

GESCOM in its replies, had identified that towns like Shahapur (14.94%), Shorapur (14.96%) and Raichur CSC (21.72%) are having higher losses. GESCOM informed that it has initiated measures for reduction of T&D losses. The Commission directs GESCOM to ensure that distribution losses of the towns having higher losses should be reduced and brought down within the approved loss target levels.

The Commission notes that GESCOM has reported the actual distribution loss of 14.41%, as per the audited accounts, as against lower loss level of 14.50% approved by the Commission, in its Tariff Order dated 14<sup>th</sup> May, 2018. The actual loss level is less than the approved lower limit of loss level by 0.09 percentage point for FY19.

The actual distribution losses of 14.41% reported by GESCOM is lower than the lower limit of 14.50% as specified by the Commission for FY19. Therefore, GESCOM is entitled for incentive for achievement of loss targets as computed below:

| <b>Incentive for achieving losses below the targeted Loss Levels in FY19</b> |             |
|--|-------------|
| <b>Particulars</b>   |             |
| Actual Input energy at IF points accounted in MU                             | 8796.04     |
| Retail Sales as Revised in the APR for FY19 – MU                             | 7528.30     |
| Percentage Distribution losses as a percentage of input energy at IF points  | 14.41%      |
| Target lower limit of distribution loss levels                               | 14.50%      |
| Decrease in Percentage Points loss   | -0.09%      |
| Input at Target Loss for actual sales - MU                                   | 8805.03     |
| Decrease in input energy at IF point due to decrease in loss – MU            | 8.989       |
| Average cost of power as per actuals – Rs./kWh                               | 4.4394      |
| Incentive for achievement of loss targets Rs. Crores                         | <b>3.99</b> |

Thus, the Commission decides to approve the distribution loss of 14.41% for FY19 and allow an incentive of Rs.3.99 Crores for achieving better loss targets vis-à-vis the loss targets fixed by the Commission.

#### 4.2.3 Power Purchase for FY19:

##### GESCOM's Submission:

GESCOM, in its application for Annual Performance Review (APR) for FY19, has submitted the details of actual power purchase made during FY19. As per these details, GESCOM has purchased 9306.90MU at a cost of Rs.3949.24 Crores for FY19.

The following table indicates the source wise variation statement as per D1 statement:

**TABLE- 4.6**  
**Power Purchase for FY19 – Actuals as per filing**  
**GESCOM's Submission**

| Sl. No. | Source                                  | Actuals as per filing |                |                 |
|---------|---|-----------------------|----------------|-----------------|
|         |   | Energy in MU          | Amount in Crs. | Avg. cost in Rs |
| 1       | 2                                       | 6                     | 7              | 8               |
| 1       | KPCL-Hydro                              | 2813.74               | 239.46         | 0.85            |
| 2       | KPCL Thermal                            | 764.81                | 476.13         | 6.23            |
| 3       | Central Projects                        | 2504.71               | 1074.60        | 4.29            |
| 4       | UPCL                                    | 526.96                | 324.89         | 6.17            |
| 5       | RE Projects                             | 2366.07               | 1018.92        | 4.31            |
| 6       | Bundled power                           | 580.12                | 244.64         | 4.22            |
| 7       | Other Hydro                             | 16.53                 | 15.12          | 9.15            |
| 8       | Short term/Medium Term                  | 358.11                | 131.63         | 3.68            |
| 9       | KPTCL transmission charges              |                       | 356.70         |                 |
| 10      | SLDC charges                            |                       | 2.89           |                 |
| 11      | Tangedco, POSOCO etc.                   |                       | 0.35           |                 |
| 12      | PGCIL charges                           |                       | 237.94         |                 |
| 13      | ENERGY Balancing                        | -626.40               | -238.95        |                 |
| 14      | infirm power                            | 68.19                 |                |                 |
| 15      | Cost of Banked Energy                   | 40.45                 | 10.97          |                 |
| 16      | PCKL Rev Expenses, POSOCO, Tangedco     |                       | 1.01           |                 |
| 17      | prior period expenses /other provisions |                       | 46.13          |                 |
| 18      | NTPC Transmission Charges               |                       | 1.82           |                 |
| 19      | IEX                                     | -99.75                | 0.00           |                 |
| 20      | UI Charges                              | -5.63                 | 4.99           |                 |
| 21      | South western railway                   | -1.00                 |                |                 |
|         | <b>Grand total</b>                      | <b>9306.90</b>        | <b>3949.24</b> | <b>4.24</b>     |

**Commission's analysis and decisions:**

The Commission, in its Tariff Order dated 14<sup>th</sup> May, 2018 had approved power purchase quantum of 8474.32 MU at a cost of Rs.3266.75 Crores, for FY19 against which, the power purchase for FY19, as submitted by GESCOM is 9306.90 MU at a cost of Rs.3949.24 Crores.

Based on the above data, the Statement of power purchase quantum and costs as per audited accounts is as detailed below:

**TABLE- 4.7****Power Purchase for FY19 Approved Vs actual as per Audited Accounts**

| Sl. No. | Source                                  | KERC Approved for 2018-19 |                |                  | Actuals as per Audited Accounts |                |                 | Difference         |                      |                           |
|---------|---|---------------------------|----------------|------------------|---------------------------------|----------------|-----------------|--------------------|----------------------|---------------------------|
|         |   | Energy in MU              | Amount in Crs. | Avg. cost in Rs. | Energy in MU                    | Amount in Crs. | Avg. cost in Rs | Energy in MU (6-3) | Amount in Crs. (7-4) | Avg. cost in Rupees (8-5) |
| 1       | 2                                       | 3                         | 4              | 5                | 6                               | 7              | 8               | 9                  | 10                   | 11                        |
| 1       | KPCL-Hydro                              | 2498.04                   | 215.26         | 0.86             | 2813.74                         | 239.46         | 0.85            | 315.70             | 24.20                | -0.01                     |
| 2       | KPCL Thermal                            | 1018.78                   | 439.01         | 4.31             | 764.81                          | 476.13         | 6.23            | -253.97            | 37.12                | 1.92                      |
| 3       | Central Projects (CGS)                  | 2476.93                   | 931.81         | 3.76             | 2504.71                         | 1074.60        | 4.29            | 27.78              | 142.79               | 0.53                      |
| 4       | UPCL – (IPP)                            | 724.22                    | 344.73         | 4.76             | 526.96                          | 324.89         | 6.17            | -197.26            | -19.84               | 1.41                      |
| 5       | RE Projects                             | 1064.55                   | 511.66         | 4.81             | 2366.07                         | 1018.92        | 4.31            | 1301.52            | 507.26               | -0.50                     |
| 6       | Bundled power                           | 405.32                    | 134.52         | 3.32             | 580.12                          | 244.64         | 4.22            | 174.80             | 110.12               | 0.90                      |
| 7       | Other Hydro                             | 30.11                     | 11.35          | 3.77             | 16.53                           | 15.12          | 9.15            | -13.58             | 3.77                 | 5.38                      |
| 8       | Short term/Medium Term                  | 256.38                    | 114.49         | 4.47             | 358.11                          | 131.63         | 3.68            | 101.73             | 17.14                | -0.79                     |
| 9       | KPTCL transmission charges              |                           | 354.27         |                  |                                 | 356.70         |                 | 0.00               | 2.43                 | 0.00                      |
| 10      | SLDC charges                            |                           | 2.89           |                  |                                 | 2.89           |                 | 0.00               | 0.00                 | 0.00                      |
| 11      | Tangedco, POSOCO etc.                   |                           | 0.31           |                  |                                 | 0.35           |                 | 0.00               | 0.04                 | 0.00                      |
| 12      | PGCIL charges                           |                           | 206.44         |                  |                                 | 237.94         |                 | 0.00               | 31.50                | 0.00                      |
| 13      | ENERGY Balancing                        |                           |                |                  | -626.40                         | -238.95        |                 | -626.40            | -238.95              | 0.00                      |
| 14      | infirm power                            |                           |                |                  | 68.19                           | 0.00           |                 | 68.19              | 0.00                 | 0.00                      |
| 15      | Cost of Banked Energy                   |                           |                |                  | 40.45                           | 10.97          |                 | 40.45              | 10.97                | 0.00                      |
| 16      | PCKL Rev Expenses, POSOCO, Tangedco     |                           |                |                  |                                 | 1.01           |                 | 0.00               | 1.01                 | 0.00                      |
| 17      | prior period expenses /other provisions |                           |                |                  |                                 | 46.13          |                 | 0.00               | 46.13                | 0.00                      |
| 18      | NTPC Transmission Charges               |                           |                |                  |                                 | 1.82           |                 |                    |                      |                           |
| 19      | IEX                                     |                           |                |                  | -99.75                          | -44.32         |                 | -99.75             | -44.32               |                           |
| 20      | Ul Charges                              |                           |                |                  | -5.63                           | 4.99           |                 | -5.63              | 4.99                 |                           |
| 21      | South western railway                   |                           |                |                  | -1.00                           | 0.00           |                 | -1.0               |                      |                           |
|         | <b>Grand total</b>                      | <b>8474.32</b>            | <b>3266.75</b> | <b>3.85</b>      | <b>9306.90</b>                  | <b>3904.92</b> | <b>4.20</b>     | <b>832.57</b>      | <b>638.17</b>        | <b>0.35</b>               |

Note: 1. (+) indicate excess over approved values.

2. The sale of energy in IEX including cost, is also included under power purchase

1. As per the actuals for FY19 vis-à-vis the approved figures, there is increase in the quantum of power purchased to an extent of 832.57 MU and the cost has increased by Rs.638.17 Crores.
2. The analysis of the source-wise approved and actual power purchases as per D1 statement is indicated in the following Table:

| Sl. No. | Source           | KERC Approved for 2018-19 |              |                 | Actuals as per filing |              |                 | Difference         |                    |                           |
|---------|------------------|---------------------------|--------------|-----------------|-----------------------|--------------|-----------------|--------------------|--------------------|---------------------------|
|         |                  | Energy in MU              | Amount in Cr | Avg. cost in Rs | Energy in MU          | Amount in Cr | Avg. cost in Rs | Energy in MU (6-3) | Amount in Cr (7-4) | Avg. cost in Rupees (8-5) |
| 1       | 2                | 3                         | 4            | 5               | 6                     | 7            | 8               | 9                  | 10                 | 11                        |
| 1       | KPCL-Hydro       | 2498.04                   | 215.26       | 0.86            | 2813.74               | 239.46       | 0.85            | 315.70             | 24.20              | -0.01                     |
| 2       | KPCL Thermal     | 1018.78                   | 439.01       | 4.31            | 764.81                | 476.13       | 6.23            | -253.97            | 37.12              | 1.92                      |
| 3       | Central Projects | 2476.93                   | 931.81       | 3.76            | 2504.71               | 1074.60      | 4.29            | 27.78              | 142.79             | 0.53                      |
| 4       | UPCL             | 724.22                    | 344.73       | 4.76            | 526.96                | 324.89       | 6.17            | -197.26            | -19.84             | 1.41                      |
| 5       | RE Projects      | 1064.55                   | 511.66       | 4.81            | 2366.07               | 1018.92      | 4.31            | 1301.52            | 507.26             | -0.50                     |

It is seen from the above that while the energy procured from KPCL hydro, CGS and RE sources is more than the approved quantum, procurement from KPCL thermal and UPCL is lower.

3. The shortfall from KPCL Thermal projects and UPCL, has been made good by procuring power from KPCL hydro and RE sources.
4. As per the actual power purchase cost, there is overall increase in the per unit cost of energy purchased due to the following:
  - a) The power from the new thermal projects viz BTPS Unit-3 YTPS was considered as infirm power, while approving the ARR for FY19. The actual cost per unit of energy has increased due to declaration of Commercial Operation date of these thermal plants and consequent to payment of fixed charges;
  - b) Increase in power purchase quantum, change in the source-wise mix of supply and the energy balancing during reconciliation of energy and its cost among ESCOMs;
  - c) GESCOM has purchased more RE power than the approved.
  - d) Payment of additional PGCIL transmission charges of Rs.31.50 Crores from the GESCOM towards PoC charges, over and above approved amount.



As the State was paying abnormally high POC charges to PGCIL, the Commission, in its Tariff Order dated 30<sup>th</sup> May, 2019 had directed GESCOM to take appropriate action immediately, to resolve the issues with the appropriate authorities regarding the PGCIL transmission tariff. The ESCOMs/PCKL were required to constitute a dedicated team, to study the pros and cons of any methodologies/amendments proposed to PGCIL's Transmission tariff or in any such other relevant matters, and to effectively communicate the same to the concerned authorities, at the draft stage itself.

In response to the above directions, the GESCOM has stated that the CERC had framed Draft CERC (Sharing of Inter State Transmission Charges and Losses) Regulation and has invited the comments/suggestions and that the KPTCL had constituted a Coordination Committee and comments/suggestion have been submitted to the CERC. Once this is finalized the transmission charges of PGCIL are likely to be reduced.

**The Commission notes that, CERC has issued the final notification on CERC (Sharing of Inter State Transmission Charges and Losses) Regulations. Hence, the Commission directs the KPTCL/ESCOMs to settle the PGCIL charges as per the CERC Regulations and intimate the same.**

5. In view of the above reasons, the per unit average power purchase cost has increase to Rs.4.20 per kWh, as against the approved rate of Rs.3.85per kWh.
6. The Commission notes that, KPTCL is issuing the regular bills to ESCOMs under ABT mechanism and none of the ESCOMs are making payments as per the above bills. Hence, the Commission directs the ESCOMs to take immediate action to make payments as per the bills raised by the KPTCL. Further, KPTCL and ESCOMs shall host the details of implementation of ABT thereof, on their respective websites.

**In view of the above facts, the Commission hereby decides to approve the actual power purchases of 9306.90 MU at a cost of Rs.3904.92 Crores, for the purpose of Annual Performance Review for FY19.**

#### 4.2.4 Renewable Purchase Obligation (RPO) compliance by GESCOM for FY19:

GESCOM in its tariff petition, has stated that it has met non-solar RPO of 30.32% against target of 7.00% by purchasing 2000.86 MU of Non-solar energy and solar RPO target of 13.92% against target of 6% by purchasing 917.98MU of solar energy, considering power purchase quantum of 6598.68 MU, net of hydro-energy, for FY19.

##### **Commission's Analysis and Decisions:**

The Commission in its preliminary observation, had observed that the energy purchase during FY19 net of hydro should be 6476.63 MU [9306.90-16.53 (other hydro)- 2813.74 (KPCL)], whereas for RPO, GESCOM had considered as 6598.68 MU. GESCOM was directed to reconcile the data.

GESCOM in its reply to the preliminary observations, has submitted that the difference of 122.05 MUs is due to under drawal energy from Hydel sources as per energy balance furnished by SLDC.

The Commission also directed GESCOM to indicate the energy break-up for Shimsha and Shivanasamuda projects separately along with the details of hydro energy included in energy balancing.

GESCOM has submitted that it has procured 52.76 MUs from Shimsha Hydro project and 17.28 MU from Shivanasamudram hydro power project. GESCOM submitted that as per energy balancing, total energy purchased from KPCL hydel and Other Hydro projects is 2813.74 MU and 2830.27 MU, respectively.

The Commission also observed that for the purpose of RPO computation, solar energy purchased was indicated as 917.98 MU. However, as per D-1 Format the total solar purchased is 636.83 MU, excluding purchase from NTPC. For NTPC VVNL & NTPC NSM, break up of solar energy and energy under coal was not furnished. GESCOM was directed to reconcile the data accordingly.

GESCOM in its replies, submitted that the total solar energy purchased during FY19 is 917.98 MU for RPO calculations. GESCOM informed that it has

purchased 18.90 MU and 196.44 MU of solar energy from NTPC VVNL and NTPC NSM projects, respectively.

Further, for computation of non-solar RPO, non- solar energy purchased is indicated as 2000.86 MU. However, as per D-1 Format the total non-solar purchased is 1956.87 MU. GESCOM was directed to reconcile the data accordingly.

GESCOM in its replies, has submitted that it has purchased total non-solar energy of 1956.87MU. GESCOM has subtracted 9.71 MUs of non-solar energy purchased under APPC and then added 15.05 MU and 38.65 MU of banked energy and infirm energy, respectively, to arrive at total energy of 2000.86 MU.

The GESCOM, in its replies, has submitted the data as per the format prescribed by the Commission, duly reconciling the data with audited accounts for FY19, for validating the RPO compliance and to work out the APPC as shown below:

**TABLE - 4.8**  
**Non-solar RPO Compliance by GESCOM for FY19**

| Sl. No | Particular   | Quantum in MU | Cost Rs. In Crs. |
|--------|--|---------------|------------------|
| 1      | Total power purchase quantum from all sources Excluding Hydro Energy   | 6598.68       | 3690.54          |
| 2      | Non- Solar Renewable energy purchased under PPA route at Generic tariff including Non-Solar RE purchased from KPCL | 1947.16       | 753.10           |
| 3      | Non-Solar short -term purchase from RE sources, excluding sec-11 purchase  | 0.00          | 0.00             |
| 4      | Non-Solar short -term purchase from RE sources under sec-11 of EA, 2003  | 0.00          | 0.00             |
| 5      | Non-solar RE purchased under APPC  | 9.71          | 3.74             |
| 6      | Non- solar RE purchase pertaining to green energy sold to consumer under green tariff                              | -             | -                |
| 7      | Non-solar RE purchased from other ESCOMs   | -             | -                |
| 8      | Non- Solar RE sold to other ESCOMs   | -             | -                |
| 9      | Non- Solar RE purchased from other sources like banked energy purchases at 85% of Generic Tariff                   | 53.70         | 4.41             |
| 10     | Total Non-Solar RE Energy purchased  | 2010.57       | 761.25           |
| 11     | Non-Solar RE accounted for the purpose of RPO (2+9)  | 2000.86       | 757.51           |
| 12     | <b>Non- solar RPO complied in %</b><br><b>[No11/No1]/100</b>   | <b>30.32%</b> |                  |

**TABLE - 4.9**  
**Solar RPO Compliance by GESCOM for FY19**

| Sl. No | Particular  | Quantum in MU | Cost Rs. In Crores |
|--------|---|---------------|--------------------|
| 1      | Total power purchase quantum from all sources Excluding Hydro Energy                                | 6598.68       | 3690.54            |
| 2      | Solar energy purchased under PPA route at Generic tariff including solar energy purchased from KPCL | 636.829       | 336.742            |
| 3      | Solar energy purchased under Short term, excluding Sec-11 purchase                                  | -             | -                  |
| 4      | Solar Short-term Purchase from RE Under Sec-11 of EA, 2003  | -             | -                  |
| 5      | Solar energy purchased under APPC   | -             | -                  |
| 6      | Solar energy pertaining to green energy sold to consumers under green tariff                        | -             | -                  |
| 7      | Solar energy purchased from other ESCOMs  | -             | -                  |
| 8      | Solar energy sold to other ESCOMs   | -             | -                  |
| 9      | Solar energy purchased from NTPC (or others) as bundled power                                       | 215.33        | 118.23             |
| 10     | Solar energy purchased from any other sources like banked energy purchased at 85% of generic tariff | 65.818        | 14.531             |
| 11     | Total-Solar Energy purchased  | 917.981       | 469.503            |
| 12     | Solar energy accounted for the purpose of RPO (2+9+10)  | 917.981       | 469.503            |
| 13     | <b>Solar RPO complied in % [No 12/ No1] *100</b>  | <b>13.91%</b> |                    |

The Commission has taken note of the replies furnished by the GESCOM. The Commission has approved the source-wise power purchase quantum and cost as discussed earlier. Therefore, for the purpose of RPO compliance the Commission has considered the quantum of power purchase as per the APR for FY19. The Commission notes that the total quantum of power purchase of 9306.90 MU has been arrived at after deducting 626.40 MU of energy on account of energy balancing, which includes 122.05 MU of hydel energy. Thus, the total hydel energy purchased after accounting for energy balance, will be 2655.46 MU [2813.74 MU (KPCL Hydro) +16.53 MU (Other Hydro) -52.76 MU (Shimsha)- 122.05 (energy balance)]. Thus, excluding the procurement of 2655.46 MU from hydro sources, the energy purchased by GESCOM based on the audited accounts will be 6651.44 MU (9306.90 MU- 2655.46 MU). The details of Non-solar energy procured is indicated below:

**Energy in Million Units**

|   |         |
|---|---------|
| Co-generation (Power Purchase) (including medium term ) | 323.40  |
| Mini Hydel  | 107.57  |
| Wind power projects incl. KPCL                          | 1495.88 |
| Bio mass  | 30.02   |
| Shimsha   | 52.76   |
| Non-Solar Short-term purchase                           | Nil     |
| Less Previous year FY18 adjustment as per TO 2019       | Nil.    |
| Banked energy/infirm energy purchased*                  | 52.56   |
| Purchased at APPC                                       | -9.71   |
| Sold to consumers as green energy                       | Nil     |
| Non-solar Total   | 2052.48 |

\*As per e-mail dated 18.02.2020 Non-Solar infirm energy is 38.46 Mu and banked energy is 14.10 MU

As regards the Non-Solar RPO, considering the input energy of 6651.44 MU (excluding procurement from hydro sources), the Non-solar RPO target at 7.00% works out to 465.601MU (465601 MWh after rounding off). GESCOM has purchased 2052.48 MU (2052480 MWh) of Non-solar energy including purchase of 52.56 MU of banked/infirm energy. Thus, GESCOM has purchased 1586.879 MU (1586879 MWh) excess non-solar energy over and above the target specified. The Commission holds that GESCOM has met its Non-Solar RPO target of 7% for FY19, in terms of the prevailing Regulations.

Regarding the Solar RPO, the details of solar energy purchased is as indicated below:

**Energy in Million Units**

|   |        |
|---|--------|
| Solar PPA Route including KPCL                    | 636.83 |
| Solar Rooftop                                     | 9.75   |
| Solar KPCL  | 0      |
| Solar Bundled Power**                             | 215.34 |
| Solar New Park                                    | 0      |
| Solar Short /medium term purchase                 | 0      |
| Less Previous year FY18 adjustment as per TO 2019 | 0      |
| Banked/infirm energy purchased                    | 56.08  |
| Sold to consumers as green energy                 | 0      |
| Solar Total                                       | 918.00 |

\*As per e-mail dated 18.02.2020 solar infirm energy is 29.73 Mu and banked is 26.35 MU

\*\* As per replies furnished to preliminary observations

Considering the input energy (excluding procurement from hydro sources) of 6651.44 MU, the Solar RPO target at 6.00% works out to 399.086 MU (399086 MWh after rounding off). GESCOM has purchased 918.00 MU (918000 MWh)

of Solar energy. Thus, GESCOM has purchased 518.914 MU (518914 MWh) excess Solar energy over and above the target specified. The Commission holds that GESCOM has met its Solar RPO target of 6% for FY19, in terms of the prevailing Regulations.

#### 4.2.5 Operation and Maintenance Expenses:

##### GESCOM's Submission:

In its application, GESCOM, as per audited accounts, has sought approval of O&M expenditure of Rs.693.84 Crores for FY19. The break-up of O&M expenses are as follows:

**TABLE – 4.10**  
**O & M Expenses – GESCOM's submission**

| Amount in Rs. Crores              |               |
|-----------------------------------|---------------|
| Particulars                       | FY19          |
| Employee cost                     | 529.21        |
| Administrative & General Expenses | 118.78        |
| Repairs and Maintenance           | 45.85         |
| <b>Total O &amp; M Expenses</b>   | <b>693.84</b> |

GESCOM in its filing has submitted that:

- a. During FY18, the impact of salaries for the employees recruited during FY18 had a partial year impact and this year, in FY19, it would be for full year which has to be considered separately, while carrying out the APR, as there is no base year data for the above expenses.
- b. The impact of pay revision during FY18 amounting to Rs.61.10 Crores, was not fully considered in the earlier Tariff Order and GESCOM has requested the Commission to consider the same, during APR of FY19.
- c. One-time expense incurred towards P&G Trust account is Rs.58.45 Crores, owing to the revision of the contribution rates, effective from FY17 onwards.
- d. Earned Leave encashment obligation has increased by Rs.33.04 Crores due to the Actuarial Valuation and pay revision.
- e. Repairs & Maintenance expenses have increased by Rs.12.57 Crores as expenses towards of replacement of transformers and the bank charges

of Rs.9.45 Crores including guarantee commission to the Government, has been considered under R&M expenses, instead of Interest and Finances charges.

#### **Commission's analysis and decisions:**

The Commission, in its Tariff Order dated 14<sup>th</sup> May, 2018 had approved O&M expenses for FY19, as indicated in the following Table:

**TABLE – 4.11**

#### **Approved O&M Expenses as per Tariff Order dated 14.05.2018**

| <b>Particulars</b>  | <b>FY19</b>   |
|---|---------------|
| No. of installations as per actuals as per Audited Accts        | 3087790       |
| Weighted Inflation Index  | 8.1059%       |
| CGI based on 3 Year CAGR  | 3.88%         |
| Actual O&M expenses for FY16 - in Rs. Crores.                   | 422.56        |
| <b>Total approved O&amp;M Expenses for FY19– in Rs. Crores.</b> | <b>557.44</b> |

The Commission notes that, GESCOM in its filing, has projected the total O&M expenses of Rs.693.84 Crores for FY19 as against the approved O&M expenditure of Rs.557.44 Crores. This amount consists of Rs.45.85 Crores towards R&M expenses, Rs.529.21 Crores towards Employees cost and Rs.118.78 Crores towards A&G expenses, being the actual expenses, as per the audited accounts for FY19. The actual employees cost also included the terminal benefits, which is considered as an additional employee cost towards the contribution to Pension & Gratuity (P&G) Trust for Rs.127.75 Crores.

The Commission, in its Tariff Order 2019, while approving the APR for FY18, has allowed the provisions made for the arrears of revision of pay scale to the employees from 01.04.2017 to 31.03.2018 for Rs.78.20 Crores, as an additional employees cost. The Commission take notes of the reply submitted by GESCOM regarding the actual payment of arrears of Rs.61.10 Crores, to its employees on account of pay revision for FY18 during FY19 and the additional contribution made to the P&G Trust thereon, consequent to the revision of pension and gratuity contribution rates with effect from 1<sup>st</sup> April 2016. The Commission also directed GESCOM to submit the actual employees cost incurred during FY19 by excluding the arrears of pay revision and contribution to P&G Trust thereon for the FY18.

In the matter of new recruitment, GESCOM has informed that Junior Line Men endurance test have been conducted and that the notification for conducting examination for various posts will be issued after getting directions from KPTCL.

The Commission had observed that GESCOM, in its filing under Format D-6, had claimed Rs.127.75 Crores, towards Terminal Benefits for FY19. GESCOM was directed to furnish the details of computation for claiming the said amount with clear bifurcation of the amounts between the employees recruited prior to 31.3.2006 and after 31.3.2006.

The Commission notes that, GESCOM in its reply to the preliminary observations, has submitted the break-up of Rs.127.75 Crores incurred towards contribution of terminal benefits to P&G Trust for FY19, on account of revision in the contribution rate of pension from 33.05% to 42.53% effective from 1<sup>st</sup> April, 2016. GESCOM informed that the contribution made towards NDCPS is Rs.11.75 Crores.

The Commission further notes the details submitted by GESCOM to the preliminary observation for having incurred higher expenditure under remuneration to Contract agencies and conveyance and travelling charges for FY19. The Commission noted that these expenses are substantially higher and increasing year on year. As per the provisions of MYT Regulations, the O&M expenses are controllable and every ESCOM need to control the expenditure under this head by utilizing the available resources within its control, in a prudent manner.

Further, the Commission notes that as per the audited account, the actual O&M expenses reported by GESCOM are more than the approved O&M expenses by Rs.138.89 Crores. The Commission, in accordance with the provision of MYT Regulations and the methodology adopted, while approving the ARR for FY19 and the APR's of the earlier periods, proceeds with the determination of normative O&M expenses based on the 12 Year data of WPI and CPI besides considering 3 year compounded annual growth rate (CAGR) of consumers. Considering the Wholesale Price Index (WPI) as per the data available from the Ministry of Commerce & Industry,



Government of India and Consumer Price Index (CPI) as per the data available from the Labour Bureau, Government of India and adopting the methodology followed by the CERC with CPI and WPI in a ratio of 80:20, the allowable rate of inflation for FY19 is computed as follows:

**TABLE - 4.12**  
**Computation of Allowable Inflation Rate**

| WII FOR ARR19  |       |       |                  |          |       |            |                         |
|--|-------|-------|------------------|----------|-------|------------|-------------------------|
| Year   | WPI   | CPI   | Composite Series | Yt/Y1=Rt | Ln Rt | Year (t-1) | Product [(t-1)* (LnRt)] |
| 2007   | 73.6  | 130.8 | 119.36           |          |       |            |                         |
| 2008   | 80.0  | 141.7 | 129.36           | 1.08     | 0.08  | 1          | 0.08                    |
| 2009   | 81.9  | 157.1 | 142.06           | 1.19     | 0.17  | 2          | 0.35                    |
| 2010   | 89.7  | 175.9 | 158.66           | 1.33     | 0.28  | 3          | 0.85                    |
| 2011   | 98.2  | 191.5 | 172.84           | 1.45     | 0.37  | 4          | 1.48                    |
| 2012   | 105.7 | 209.3 | 188.58           | 1.58     | 0.46  | 5          | 2.29                    |
| 2013   | 111.1 | 232.2 | 207.98           | 1.74     | 0.56  | 6          | 3.33                    |
| 2014   | 114.8 | 246.9 | 220.48           | 1.85     | 0.61  | 7          | 4.30                    |
| 2015   | 110.3 | 261.4 | 231.196          | 1.94     | 0.66  | 8          | 5.29                    |
| 2016   | 110.3 | 274.3 | 241.5            | 2.02     | 0.70  | 9          | 6.34                    |
| 2017   | 114.1 | 281.2 | 247.78           | 2.08     | 0.73  | 10         | 7.30                    |
| 2018   | 118.9 | 294.8 | 259.62           | 2.18     | 0.78  | 11         | 8.55                    |
| A= Sum of the product column   |       |       |                  |          |       |            | 40.16                   |
| B= 6 Times of A  |       |       |                  |          |       |            | 240.97                  |
| C= (n-1)*n*(2n-1) where n= No of years of data=12  |       |       |                  |          |       |            | 3036.00                 |
| D=B/C  |       |       |                  |          |       |            | 0.08                    |
| g(Exponential factor)= Exponential (D)-1   |       |       |                  |          |       |            | 0.0826                  |
| e=Annual Escalation Rate (%)=g*100   |       |       |                  |          |       |            | <b>8.2604</b>           |
| <b>As per CERC Notification No. Eco T I / 2019-CERC dated 02.04.2019 with weightage of 80% on CPI and 20% on WPI</b> |       |       |                  |          |       |            |                         |

For the purpose of determining the normative O & M expenses for FY19, the Commission has considered the following:

- The actual O & M expenses as per the audited accounts for FY16 as the base year O&M expenses and the approved normative O&M expenses for FY17 and FY18, excluding contribution to Pension and Gratuity Trust.
- The three-year compounded annual growth rate (CAGR) of the number of installations considering the actual number of installations as per the audited accounts up to FY19 at 3.72%.

- c) The weighted inflation index (WII) at 8.2604% as computed above.  
d) Efficiency factor at 2% as considered in the earlier control periods.

Thus, the normative O & M expenses for FY19 are computed as follows:

**TABLE - 4.13**  
**Allowable Normative O & M Expenses for FY19**

| Particulars  | Amount in Rs. Crores |
|--|----------------------|
|  | FY19                 |
| No of installations as per actuals as per Audited Accts  | 3072991              |
| Consumer growth as per actuals / projections (3 Year CAGR)   | 3.72%                |
| Inflation Index  | 8.2604%              |
| Base year O&M expenses (As per actuals of FY16)  | 362.19               |
| Approved O&M expenses without P&G contribution for FY17 (Rs.in Crores)                               | 400.25               |
| Approved O&M expenses with pay revision arrears and without P&G contribution for FY18 (Rs.in Crores) | 503.80               |
| Allowable O&M expenses for FY19 Rs.in Crores, O&M Index= O&M (t-1)*(1+WII+CGI-X)                     | 554.06               |

The above normative O & M expenses have been computed with pay revision effect for FY19 and without considering the contribution to the Pension and Gratuity Trust.

The Commission notes the GESCOMs replies for having included Rs.78.20 Crores as per the audited account as an additional employee cost on account of revision of pay to its employees from 1<sup>st</sup> April, 2018 to 31<sup>st</sup> March, 2019 for FY19. As this amount is included in the employee cost of FY19, the Commission has not considered it separately. However, the contribution to the Pension and Gratuity Trust of Rs.127.75 Crores is considered as additional employee cost and allowed.

The Commission, as per the provision of the MYT Regulations, has treated the additional employee costs towards of contribution to P&G Trust for meeting the terminal benefits for FY19, as uncontrollable O&M expenses. This component has been allowed over and above the normative O&M expenses to enable the GESCOM to meet their actual employee costs. The computation of the total allowable O&M expenses for FY19 is as under:

**TABLE – 4.14**  
**Allowable O & M Expenses for FY19**

| Amount in Rs. Crores |  |               |
|----------------------|--|---------------|
| Sl. No.              | Particulars  | FY19          |
| 1                    | Allowable Normative O & M expenses   | 554.06        |
| 2                    | Allowable Additional employee cost<br>(uncontrollable Contribution to P&G Trust) | 127.75        |
| 3.                   | <b>Allowable O &amp; M expenses for FY19</b>                                     | <b>681.81</b> |

The Commission in its Order, has been stressing the need to control the O&M expenses. The Commission is of the view that allowing the controllable O&M expenses beyond the normative O&M expenses as per the MYT Regulations would be a burden on the end consumers. Therefore, the Commission as per the provisions of MYT Regulations, decides to allow the allowable normative O&M expenses plus allowable additional employees cost towards contribution to P&G Trust for FY19.

**Thus, the Commission decides to allow Rs.681.81 Crore as the allowable O&M expenses for FY19.**

#### 4.2.6 Depreciation:

##### **GESCOM's Submission:**

As per the audited accounts for FY19, GESCOM, in its application has claimed an amount of Rs.145.66 Crores as the net depreciation, after deducting an amount of Rs.45.32 Crores towards the depreciation on account of assets created out of consumers' contributions / grants as per Accounting Standards (AS)-12.

##### **Commission's analysis and decisions:**

The Commission, notes the depreciation amount charged on the gross fixed asset as per the GESCOM's audited accounts for FY19. The Commission in accordance with the provisions of the KERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 and amendments thereon, has determined the depreciation based on the opening and closing balances of gross blocks of fixed assets for FY19 as per the audited accounts and the weighted average rate of depreciation works out to 4.71%.

Further, based on the Accounting Standards (AS)-12, the Commission has recognized an amount of Rs.45.32 Crores of depreciation on assets created out of consumer contribution / grants accounted under other income as per audited account for FY19 and deducted from the gross depreciation amount for FY19.

The computation of asset-wise depreciation is shown in the following Table:

**TABLE – 4.15**  
**Allowable Depreciation for FY19**

Amount in Rs. Crores

| Particulars  | Opening Balance of Asset as on 01.04.2018 | FY19          |   |
|--|---|---------------|---|
|  |   | Depreciation  | Closing Balance of Asset as on 31.03.2019 |
| Buildings  | 69.84                                     | 2.73          | 77.58                                     |
| Hydraulic works  | 9.31                                      | 0.13          | 9.85                                      |
| Plant & Machinery  | 653.46                                    | 29.24         | 701.26                                    |
| Line, Cable Network  | 3127.87                                   | 157.99        | 3427.96                                   |
| Vehicles   | 5.86                                      | 0.23          | 5.86                                      |
| Furniture  | 5.91                                      | 0.28          | 6.27                                      |
| Office Equipment   | 6.82                                      | 0.39          | 7.07                                      |
| Land   | 924.79                                    |               | 897.42                                    |
| <b>GFA</b>   | <b>4803.86</b>                            | <b>190.99</b> | <b>5133.26</b>                            |
| Less: Depreciation withdrawn on assets created by consumer's contribution grants |   | 45.32         |   |
| <b>Net Depreciation</b>  |   | <b>145.67</b> |   |

**Based on the above, the Commission decides to allow the net depreciation of Rs.145.67 Crores for FY19.**

#### 4.2.7 Capital Expenditure for FY19:

##### Annual Performance Review for FY19:

The GESCOM, in its application for APR for FY19, has indicated a capital expenditure of Rs.691.57 Crores. The capital expenditure of Rs.691.57 Crores for FY19 is against the Commission approved capex of Rs.846.00 Crores for the FY19. The GESCOM has furnished the breakup of category-wise expenditure of Rs.691.57 Crores for FY19 along with explanation for the deviations in utilization of budget, as against the Commission approved amounts, as shown below:

**TABLE - 4.16**  
**Capital expenditure of the GESCOM for FY19**

| Sl. No. | Categories of works  | Capex approved for FY18 (Rs in Crores) | Actual Expenditure for FY18 (Rs in Crores) | % of Budget utilized | GESCOM's Remarks   |
|---------|--|--|--|----------------------|--|
| 1       | 33kV Sub-station, 33kV line works & Augmentation of 33kV S/S's | 50.00                                  | 33.07                                      | 66.14%               | There were 12 awarded works. Out of which 02 works completed and commissioned. Other works completed up to 60%. Hence underutilization has occurred. |
| 2       | RGGVY works REC  | 2.00                                   | 0.00                                       | 0.00%                |  |
| 3       | <b>RAPDRP Works</b>  |  |  |                      |  |
|         | Part-A   | 0.00                                   | 0.35                                       |                      |  |
|         | Part-B   | 0.00                                   | 0.32                                       |                      |  |
|         | IPDS   | 133.00                                 | 104.94                                     | 78.90%               |  |
| 4       | Reconductoring works:  |  |  |                      | These works are merged with DDUGJY and IPDS. Hence underutilized.  |
|         | a) 33kV lines  | 0.00                                   | 0.00                                       |                      |  |
|         | b) 11kV lines  | 10.00                                  | 1.04                                       | 10.40%               |  |
|         | c) L.T Lines   | 20.00                                  | 2.87                                       | 14.35%               |  |
| 5       | 5(a)DTC metering works (RAPDRP area)                           | 0.00                                   | 0.09                                       |                      |  |
|         | 5(b) DTC metering for Non RAPDRP                               | 5.00                                   | 0.00                                       | 0.00%                |  |
| 6       | Water supply works   | 15.00                                  | 8.87                                       | 59.13%               | Some works spilled over to FY-20.  |
| 7       | <b>Additional DTC's works:</b>                                 |  |  |                      | To maintain reliable power supply as per prevailing field situation more DTC added.  |
|         | a) New DTC's   | 5.00                                   | 16.19                                      | 323.80%              |  |
|         | b) Enhancement of DTC's  | 10.00                                  | 4.71                                       | 47.10%               |  |
| 8       | Replacement failed 11 KV transformers                          | 20.00                                  | 31.70                                      | 158.50%              | New transformers are provided in place of failed transformers where ever failed transformers are   |

|    |   |        |        |         |   |
|----|---|--------|--------|---------|---|
|    |   |        |        |         | beyond repair.  |
| 9  | Replacement of Power transformers                           | 5.00   | 1.00   | 20.00%  |   |
| 10 | Replacement of MNR meters                                   | 4.00   | 1.04   | 26.00%  |   |
| 11 | Providing ETV meters  | 0.00   | 0.00   |         |   |
| 12 | Providing HT metering Cubicles for ring fencing             | 0.50   | 0.00   | 0.00%   |   |
| 13 | <b>Service Connection works</b>                             |        |        |         |   |
|    | a) General works  | 10.00  | 3.30   | 33.00%  | Works are executed as per the actual receipt of application |
|    | b) IP set works (General Category)                          | 3.00   |        | 0.00%   |   |
| 14 | a) SI works (33KV link line /Express feeders)               | 1.00   | 1.48   | 148.00% |   |
|    | b) SI works (11KV Link line /Express feeders.)              | 10.00  | 4.80   | 48.00%  |   |
| 15 | a) Nirantara Jyoti works                                    | 10.00  | 13.02  | 130.20% |   |
|    | b) Deen Dayal Upadhyay Gram Jyothi Yojane                   | 299.00 | 269.51 | 90.14%  |   |
| 16 | a) Major Replacements in S/S's & lines                      | 2.00   | 0.72   | 36.00%  |   |
|    | b) Replacement of Age old Equipment in existing S/S & Lines | 4.00   |        | 0.00%   |   |
| 17 | Civil Engineer Works  | 10.00  | 12.16  | 121.60% |   |
| 18 | IT initiatives and enumeration of IP sets                   | 1.00   | 0.79   | 79.00%  |   |
| 19 | HVDS Works  | 0.00   | 0.00   |         |   |
| 20 | Providing ABC, UG Cables & RMUs                             |        | 0.00   |         |   |
| 21 | SCADA Works   | 0.50   | 0.00   | 0.00%   |   |
| 22 | SCP & TSP Works   |        | 9.85   |         | The complete Grants by GOK towards SCP/TSP                  |
|    | a) Energization of IP Sets                                  | 0.50   |        | 0.00%   |   |

|    |   |       |       |         |   |
|----|---|-------|-------|---------|---|
|    | b) Electrification of HB's /JC's  | 0.50  |       | 0.00%   | utilized.   |
|    | c) Kutir Jyoti  | 0.50  |       | 0.00%   |   |
| 23 | Ganga Kalyan scheme Works   | 50.00 | 79.11 | 158.22% | There is no target for GK works. Applications as when received are energized. |
| 24 | T&P Articles  | 0.50  | 0.28  | 56.00%  |   |
| 25 | Replacing of Electro Magnetic Meters by Static Meters   | 0.50  | 2.08  | 416.00% |   |
| 26 | Metering of IP/St. Lights / BJ&KJ Sets and Water supply   | 0.50  | 0.00  | 0.00%   |   |
| 27 | Providing Infrastructure to Regularization of Unauthorized IP Sets  | 25.00 | 6.23  | 24.92%  | Underutilization is due to delay in awarding the works.                       |
| 28 | R.E General Works   |       |       |         |   |
|    | a)Kutir Jyoti   | 4.00  | 0.00  | 0.00%   |   |
| 29 | Prevention of electrical accident & safety  | 9.00  | 4.57  | 50.78%  |   |
| 30 | Electrification of Rehabilitation Villages  | 5.00  | 0.00  | 0.00%   |   |
| 31 | Replacement of Broken poles   | 10.00 | 7.85  | 78.50%  |   |
| 32 | Feeder Metering   |       | 0.00  |         |   |
| 33 | DDG   | 1.00  | 0.00  | 0.00%   |   |
| 34 | a) LT Line Conversion of 1 Phase 2 wire or 1 Ph 3 wore to 3Ph 5 Wire (Including providing ABC, UG cable etc.) | 5.00  | 0.14  | 2.80%   | Taken up under DDUGJY and IPDS  |
| 35 | Providing SMC Box to DTCs   | 2.00  | 0.00  | 0.00%   |   |
| 36 | a) Energisation of IP Sets Under General category   |       | 1.08  |         |   |
|    | b) Energization of IP Sets Under General category (Shigra Samparka Yojane)                                    | 2.00  | 1.62  | 81.00%  |   |

|    |  |               |               |               |  |
|----|--|---------------|---------------|---------------|--|
| 37 | Stations Augmentation  | 5.00          | 0.00          | 0.00%         |  |
| 38 | Providing meters to IP Sets above 10 HP  | 0.50          | 0.20          | 40.00%        |  |
| 39 | Distribution Automation System (DAS)   | 0.00          | 14.89         |               | Budget utilized for establishing 05 Nos of 33KV GIS stations.  |
| 40 | DSM  | 0.50          | 0.00          | 0.00%         |  |
| 41 | Safety Materials   | 2.00          | 0.13          | 6.50%         |  |
| 42 | SDP Works  | 40.00         | 13.69         | 34.23%        | The works are sanctioned as per the allocation and some of the works are spilled over to next financial year.                      |
| 43 | HT Conductor by 11 kV AB Cable   | 10.00         | 0.05          | 0.50%         |  |
| 44 | Computers and Printers (T & P Materials)   | 5.00          | 0.12          | 2.40%         |  |
| 45 | Refurbishment of 11 kV lines   | 0.00          | 0.00          |               |  |
| 46 | Providing OLP relapse to stations.   | 2.00          | 0.00          | 0.00%         |  |
| 47 | Shifting of meter from I to O  | 10.00         | 23.86         | 238.60%       | over utilization is due to spilled over works of FY-18.  |
| 48 | R&M to stations  | 25.00         | 0.00          | 0.00%         |  |
| 49 | DTC metering   |               | 0.00          |               |  |
| 50 | Creation of Electrical Infrastructures for conversion of Existing various villages to Model villages |               | 0.00          |               |  |
| 51 | SOUBHAGYA Scheme   |               | 12.80         |               | There was no provision made for these works initially. As per the direction of MOP works are taken up in middle of financial year. |
| 52 | Shifting of existing DTC to load center  |               | 1.02          |               |  |
|    | <b>Total</b>   | <b>846.00</b> | <b>691.57</b> | <b>81.75%</b> |  |



**Commission's Analysis and Decision:**

The Commission has taken note of the explanation for the deviations in utilization of budget as against the Commission approved budget, as brought out in the above table.

The Commission notes that the Capital Budget of Rs.1120.04 Crores was approved by GESCOM Board for the FY19, as against Commission approved capex of Rs.846 Cores for FY19. In this regard the Commission more often than not, has directed GESCOM to prioritize the works and incur expenditure within the approved capex. It was made clear to GESCOM that it shall not incur the capex over and above the approved capex. While prioritizing the works, GESCOM was required to take up such work which are intended for system improvement to enable quality and reliable power to the consumers besides ensuring reduction of distribution losses, in order to reduce the burden of losses to the consumers.

The Commission notes the following submission made by GESCOM:

a) Progress under DDUGJY:

| Sl. No. | Milestone Name   | Unit | GESCOM  |          |
|---------|--|------|---------|----------|
|         |  |      | Target  | Achieved |
| 1       | Running of New 11kV Line                                   | KM's | 5591.39 | 4467.49  |
| 2       | Re-conductoring of 11kV Line                               | KM's | 2651.31 | 2019.1   |
| 3       | Running of New LT Line                                     | KM's | 188.54  | 144.55   |
| 4       | Re-conductoring of LT Line                                 | KM's | 549.49  | 541.86   |
| 5       | Providing New DTC  | No's | 3552    | 3127     |
| 6       | LT AB Cable  | KM's | 1842.9  | 914.53   |
| 7       | Shifting of Meters from inside to outside                  | No's | 160319  | 133275   |
| 8       | Replacement of Electro Mechanical by Electro Static Meters | No's | 434851  | 292324   |
| 9       | DTC - Metering   | No's | 4841    | 3342     |
| 10      | Feeder Separation  | No's | 273     | 254      |

b) Progress under IPDS:

| Sl. No. | Milestone Name              | Unit | GESCOM |          |
|---------|-----------------------------|------|--------|----------|
|         |                             |      | Target | Achieved |
| 1       | 11 KV New Feeders           | Km   | 237.9  | 235.33   |
| 2       | 11 KV Feeder Reconductoring | Km   | 273.64 | 266.22   |
| 3       | Arial Bunched Cable         | Km   | 852.78 | 826.28   |
| 4       | UG Cables                   | Km   | 49.27  | 47.67    |
| 5       | Consumer Meter              | Nos  | 268109 | 102842   |

- c) Apart from DDUGJY and IPDS GESCOM has taken various system strengthening works like Reconductoring, link line construction, providing intermediate poles, rectification of hazardous locations under SDP.
- d) Through effective Vigilance drive GESCOM has taken action to bring down the distribution losses of NJY feeders within the prescribed limit specified by the Commission.
- e) GESCOM through its Demand Side Management wing has taken various steps towards Consumer Awareness Programme on Electrical safety and Energy conservation.
- f) To improve the sales of metering category, GESCOM has taken the following actions.
- i) Identification of un-authorized water supply installations and their regularization for 2200Nos of W/S installation.
  - ii) Metering of street lights.
  - iii) Replacement of electromechanical meters by static meters. (292324 Nos of meters replaced under DDUGJY as on 30.11.2019).
  - iv) Shifting of meters from inside to outside the installation. (133275 meters shifted from inside to outside the installations under DDUGJY as on 30.11.2019).
  - v) Regularization of UAIP.
  - vi) Conducting monthly review meeting of accounts wing to check for.
    - a) 100% meter reading.
    - b) Zero consumption installations.
    - c) Unbilled installations.
    - d) DC and MNR Installations.
- g) GESCOM has already initiated action to improve the Power factor by providing Capacitor Bank to the Exclusive IP set feeders and putting back the non-operational Capacitor banks to service.
- h) The details of reduction in Reduction in Distribution losses, HT:LT ratio, Transformer failure and theft from FY17 to FY19 are as follows:

| FY      | Reduction in Distribution Loss in % | Reduction in HT:LT Ratio | Reduction in Transformer failure Rates (in %) | Segregations of Agriculture feeders(Nos) |
|---------|-------------------------------------|--------------------------|---|--|
| 2016-17 | 17.33                               | 1.54                     | 12.67   | 587                                      |
| 2017-18 | 16.39                               | 1.48                     | 13.21   | 628                                      |
| 2018-19 | 14.41                               | 1.41                     | 12.96   | 678                                      |

## Reduction in Theft of power

| FY      | No of Cases Booked | Penalty levied (In Crs) | Amount Collected (In Crs) |
|---------|--------------------|-------------------------|---------------------------|
| 2016-17 | 17597              | 33.29                   | 12.58                     |
| 2017-18 | 17280              | 41.79                   | 20.61                     |
| 2018-19 | 16626              | 35.02                   | 25.12                     |

With regard to replacement of failed transformers by new transformers during FY19 and furnishing the details of division-wise and capacity-wise transformers failed, repaired, repaired transformers issued to the field and failed transformers considered as not repairable, replacement of failed transformers with new transformers, percentage of DTCs failure and the balance of transformers yet to be repaired during FY19 and also the status thereon up to 30.11.2019 during FY20, GESCOM has submitted that during FY19 replacement of failed distribution transformer with repaired good as well as by new transformer are booked under Capex leading to huge expenditure under Capex. However, GESCOM has issued strict instructions to all the Divisions to book the expenditure for replacement of failed transformer with repaired good one under Revenue budget and by new one under Capex, while annexing the details of transformer failed, replaced and expenditure booked for FY19.

From the above submissions made by GESCOM, the Commission notes that, the Transformer failure rate is on the higher side and GESCOM is not implementing the measures in the field. The failure on the part of GESCOM to reduce the Transformer failure rate effectively in future will be viewed seriously.

From the details of physical and financial progress in respect of major schemes taken up by GESCOM, it is noticed that, GESCOM is implementing most of the schemes without analyzing the financial feasibility and precise

benefits derived from it. GESCOM is spending amount on majority of these schemes through loans and its own funds, as indicated in the Table below. Further, if the schemes are not implemented within the timeframe, it will result in time over run and cost overrun.

| Name of the Scheme | Total Cost of the Scheme (Rs. in Crores) | Contribution borne by GESCOM in the total capex of the scheme | Scheduled Date of Completion | Target Date of Completion | Cost to Benefit Ratio |
|--------------------|--|---|------------------------------|---------------------------|-----------------------|
| DDUGJY             | 497                                      | 10%; Balance : Govt. of Grant: 60% and 30% Loan               | Dec-2018                     | Jan-2020                  | Not indicated         |
| Soubhagya          | 73.72                                    | 10%; Balance : Govt. of Grant: 60% and 30% Loan               | March-2019                   | Dec-2019                  | 3.37                  |

Further, the objectives are indicated broadly without indicating specific objectives. GESCOM needs to set the objectives for each work in terms of technical and financial parameters viz. reduction in AT & C losses, Category wise increase in consumption in particular feeder, increase in revenue realization, reduction in interruptions, Improvement in voltage etc.

In the light of the above observations, GESCOM is directed to analyze the financial feasibility of any scheme and precise benefits to be achieved from such schemes before taking up any such schemes. In future, GESCOM shall submit the Capex request for any new work/scheme duly supported by the details of the benefits anticipated/ to be achieved so that the end consumers, who ultimately bear the burden of the cost of investment are kept aware of the benefits of the schemes they are going to get.

**The Commission, after reviewing the capex achieved by GESCOM for FY19, decides to allow capex of Rs.691.57 Crores for FY19, which is less than the approved capex of Rs.846.00 Crores for FY19, subject to Prudence Check.**

**Prudence Check of Capital Expenditure incurred by GESCOM during FY17 and FY18:**

The Commission, in its Tariff Orders dated 30<sup>th</sup> March 2016 and 11<sup>th</sup> April 2017 had allowed Capital expenditure incurred by the GESCOM for the period FY17 and FY18 respectively subject to carrying out the prudence check of the various works undertaken by GESCOM. Accordingly, the Commission

had entrusted conducting prudence check work of GESCOM to M/s ABPS Infrastructure Advisory Pvt. Ltd., Mumbai.

M/s ABPS Infrastructure Advisory Pvt. Ltd., have submitted the report in the matter. As per their report, the following is the summary of findings in respect of work of Prudence Check for FY17 and FY18:

| <b>Financial Year</b>                                    | <b>FY17</b>   | <b>FY18</b>   |
|--|---------------|---------------|
| <b>Abstract of Prudent / Non-Prudent works</b>           | <b>(Nos.)</b> | <b>(Nos.)</b> |
| <b>Total no. of samples selected</b>                     | <b>65</b>     | <b>95</b>     |
| Total no. of Prudent works                               | 65            | 92            |
| Total no. of works non-prudent                           | 0             | 3             |
| <b>Abstract of Cost over run works</b>                   | <b>(Nos.)</b> | <b>(Nos.)</b> |
| No. of works with no cost over-run                       | 56            | 87            |
| No. of works with cost over-run up to 10%                | 4             | 5             |
| No. of works with cost over-run between 10% and 25%      | 3             | 0             |
| No. of works with cost over-run exceeding 25%            | 2             | 0             |
| Works not fully completed                                | 0             | 3             |
| <b>Abstract of Time over Run works</b>                   | <b>(Nos.)</b> | <b>(Nos.)</b> |
| No. of works with no time over-run                       | 36            | 48            |
| No. of works with time over run of upto 1 year           | 14            | 42            |
| No. for works with time over run of between 1 to 2 years | 14            | 1             |
| No. of works with time over run more than 2 years        | 1             | 1             |
| Works not fully completed in FY                          | 0             | 3             |

The Commission had forwarded a copy of the Report of the Consultant to GESCOM for information and to submit its comments on the findings of the report in the matter of imprudent works.

After analyzing GESCOM's replies on the findings of the Consultant on the non-prudent works and justifications furnished by GESCOM, the Commission has noted that, all the three works listed under imprudent category has been categorized during 2018-19. However, the same has been included in the samples of FY18 by GESCOM. Hence, the Commission decided to take a view on these works during the prudence check of respective year. The Commission directs the GESCOM to be more vigilant while providing the information and avoid such mistakes in future. The Commission will consider imposing suitable penalty on the GESCOM, for not providing correct information.

However, one work which is not meeting prudence norms in KPTCL for FY18 which is attributable to GESCOM (amounting to Rs.7.99 Crores) has been considered for disallowance in the revised ARR due to APR of GESCOM for FY19.

Accordingly, the corresponding depreciation and interest on loans allowed by the Commission, in the ARR have to be disallowed in revised ARR of FY19, as detailed below:

| <b>The amount to be disallowed for GESCOM due to imprudent works of FY18<br/>(Amount in Rs. In Crores)</b> |  |  |
|--|--|--|
| <b>Sl.No.</b>  | <b>Particulars of works</b>  | <b>Amount</b>                                  |
| 1  | Total cost of capital works categorized during the year as per Annual report of GESCOM for FY17  | 416.63   |
| 2  | Total cost of categorized works costing more than Rs. 5 Lakhs considered for prudence check (that was made available by GESCOM for prudence check)   | 34.49  |
| 3  | Total cost of sample works out of Rs 34.49 Crores  | 13.05  |
| 4  | Cost of sample works not meeting prudence norms  | 0.00   |
| 5  | Cost of sample works not meeting prudence norms attributable to other companies (viz. KPTCL & other ESCOMs)  | 0.00   |
| 6  | <b>Net Capex which is not meeting prudence norms as per the Report of Prudence check of GESCOM</b>   | <b>0.00</b>                                    |
| 7  | <b>The capex not meeting prudence norms in KPTCL attributable to GESCOM</b>  |  |
| 8  | Name of the imprudent Work : Establishing 1x20 MVA, 110/33/11 kV and 1x10 MVA, 110/11 kV Substation with associated line at Dubalgundi   | 7.99   |
| 9  | Target date for completion, Year of completion and categorization  | 22.12.2017,<br>23.03.2018<br>and<br>31.03.2018 |
| 10   | The capex not meeting prudence norms in KPTCL (Rs 7.99Cr*(300-40)/300 =Rs 6.92 Crore) attributable to GESCOM^^   | 6.92   |
| 11   | Period for which amount to be disallowed towards works not meeting prudence norms calculated on the basis of weighted average interest and weighted average depreciation on the amount in above item | 23 March<br>2018 to<br>March-<br>2019          |
| 12   | Amount to be disallowed for 23rd March 2018 to 31st March 2018   | 0.02   |
|  | Amount to be disallowed for FY19   | 0.90   |
|  | <b>Sub-total amount to be disallowed</b>   | <b>0.92</b>                                    |

|           |  |             |
|-----------|--|-------------|
| <b>13</b> | <b>Total amount to be disallowed</b>   | <b>0.92</b> |
| ^^        | <p>In the report on prudence work for FY18 of KPTCL, in respect of subject work, it is stated that It was observed that 10 MVA transformer, only 40% of capacity load could be achieved in the month of December, 2018. In case of 20 MVA transformer, the same remains unutilized since date of commission/capitalization. The KPTCL in its compliance dated 19th November 2019 has also attributed the imprudence to GESCOM.</p> <p><b>The calculations for arriving capex amount that is attributable towards non-prudence of GESCOM:</b> since, total capacity of the station is 30 MVA, wherein if total percentage of utilization is considered as 300 for 30 MVA with 100 for 10 MVA, as per the report, 40% has been utilized out of 10 MVA. Hence, utilized is 260. Proportionately the imprudent capex amount works out to Rs.7.99 Cr*(300-40)/300 =6.92 Crore</p> |             |

While arriving at the above amounts for disallowance, the weighted average rate of interest on loans and depreciation considered is as follows:

| Company | FY18                       |                           | FY19                       |                           |
|---------|----------------------------|---------------------------|----------------------------|---------------------------|
|         | Wt. Avg. Depreciation rate | Wt. Avg. Interest on loan | Wt. Avg. Depreciation rate | Wt. Avg. Interest on loan |
| KPTCL   | 4.44%                      | 8.20%                     | 4.70%                      | 8.25%                     |

GESCOM is directed to note the following observations made in respect of prudence check and take suitable actions/measures in future while implementing a scheme / project in order to avoid imprudent works and improve in execution of work:

- i) There is no Planning for most of the works such as E&I works, Government scheme etc.
- ii) GESCOM has not been following prudent practices in material procurement.
- iii) The estimates of all works did not indicate any alternative proposals studied before preparing the estimate for a given work.
- iv) Cost to benefit Analysis is not carried out for any of the works.
- v) Cost Overrun is observed in 14% and 9% of the works considered for samples in the FY17 and FY18 respectively.
- vi) Time Overrun is observed in 44% and 52% of the works considered for samples in the FY17 and FY18 respectively. The time overrun more than 2 years is observed.

- vii) There are no clear guidelines/policy, indicating the capex amount beyond which the DPR is mandated.
- viii) Anomalies in data inputs and lack of documentation of the CAPEX works.

**In view of the above, the Commission hereby disallows Rs.0.92 Crore for FY18 towards depreciation and interest on loans allowed in respect of imprudent works. Accordingly, the same is ordered to be deducted in GESCOM's APR of FY19.**

#### **4.2.8 Interest and Finance Charges:**

##### **a) Interest on Capital loan:**

###### **GESCOM's Submission:**

The GESCOM, in its application has claimed an amount of Rs.97.54 Crores towards interest on capital loans drawn from Banks/Financial Institutions for FY19 and requested the Commission to approve the same.

###### **Commission's analysis and decisions:**

The Commission has taken note of the loan portfolios of GESCOM (opening and closing balances of capital loans and the interest thereon) as per the audited accounts for FY19 and the data in Format D-9 of the filings and the additional information furnished. The Commission, in its preliminary observations, had noted that GESCOM, has not furnished details for both the capital loans and working capital loans against the loans availed/proposed to be availed for FY19 to FY21, in its filing, as per Format-D9. Therefore, GESCOM was directed to furnish the details of each loan duly tallied with the audited accounts, for FY19 (Actuals) and up to September, 2019 (Actuals).

The Commission has noted the replies furnished by GESCOM to the preliminary observations made by the Commission.

Further, the Commission notes that as per the audited accounts of GESCOM has incurred interest on capital loan of Rs.76.17 Crores for FY19. Considering the average loan of Rs.764.44 Crores and an amount of Rs.76.17 Crores



incurred towards interest on capital loans, the weighted average of interest rate works out to 9.96%. The Commission, considering the capital loan portfolio of GESCOM has observed that GESCOM has availed interest of the loans from PFC and REC at the interest rate ranging from 9% to 11.20%. Considering the rate of interest at which the capital loan borrowed by GESCOM, as indicated in the details of loan furnished in D-9 Format and the additional information submitted, the actual weighted average rate of interest is comparable with the prevailing rate of interest for long term capital loans. Accordingly, the allowable interest on long term capital loan for FY19 is indicated in the following Table:

**TABLE – 4.17**  
**Allowable Interest on Loans – FY19**

| Particulars   | Amount in Rs. Crores |  |
|---|----------------------|--|
|   | FY19                 |  |
| OB: Secured and unsecured loans   | 656.83               |  |
| Add: New Loans  | 315.50               |  |
| Less: Repayments  | 100.29               |  |
| Total loan at the end of the year   | 872.04               |  |
| Average Loan  | 764.44               |  |
| Interest paid on long term loans  | 76.17                |  |
| Weighted average rate of interest based on the actual interest paid on long term loans in % | 9.96%                |  |
| <b>Allowable Interest on capital loan</b>   | <b>76.17</b>         |  |

**Thus, the Commission decides to allow an amount of Rs.76.17 Crores towards interest on capital loans for FY19.**

**b) Interest on Working Capital:**

**GESCOM's Submission:**

The GESCOM, in its application has claimed an amount of Rs.156.56 Crores as interest on short term loans and overdraft from the Commercial Banks and Financial Institutions for FY19 and sought approval of the Commission for the same.

**Commission's analysis and decisions:**

As per the audited accounts and the replies and the additional details submitted on the preliminary observations of the Commission, the GESCOM

has incurred of Rs.21.37 Crores towards interest on short term loans and overdraft to meet its day to day working capital requirement for FY19.

The Commission, in its Tariff Order dated 14<sup>th</sup> May, 2018, while approving the ARR for FY19, has computed the working capital at the interest rate of 11.50%. The Commission notes that, GESCOM has availed short-term loans and overdraft at the rate of 8.85% to 11.25% from REC and Commercial Banks during the FY19 which is on the higher side as compared with the interest rate at which the other ESCOMs have borrowed the working capital. The Commission taking note of the SBI MCL rates charged for the short term loans, further observed that there is downward trend in the MCL rates in the financial market. The Commission also note that GESCOM has not availed the benefit of the reduced rate of interest offered by the Banking sector in recent years, while availing loans towards meeting the working capital requirement.

The Commission directs GESCOM to avail working capital loan at competitive rates offered by the Banking industry, to reduce the interest burden on the consumers.

The Commission, notes that GESCOM has not availed adequate working capital to settle the power purchase dues and incurred an amount of Rs.156.56 Crores towards interest on belated payment of power purchase bills for FY19. The Commission further notes that, GESCOM has incurred actual interest of Rs.21.37 Crores on working capital for FY19. Therefore, the Commission decides to allow working capital loans, at a normative interest rate of 11% for FY19.

As per the KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail sale of electricity) Regulations, 2006 and amendments thereon, the Commission has computed the allowable interest on working capital for FY19 as follows:

**TABLE – 4.18**  
**Allowable Interest on Working Capital for FY19**

| Amount in Rs. Crores   |              |
|--|--------------|
| Particulars  | FY 19        |
| One-twelfth of the amount of O&M Exp.  | 56.82        |
| Opening GFA as per Audited Accounts  | 4803.86      |
| Stores, materials and supplies 1% of Opening balance of GFA  | 48.04        |
| One-sixth of the Revenue   | 839.02       |
| Total Working Capital  | 943.88       |
| Rate of Interest (% p.a.)  | 11.00%       |
| Interest on Working Capital  | 103.83       |
| Actual Interest on Working Capital incurred  | 21.37        |
| <b>Allowable interest In on WC</b> ( actual interest on working capital + 50% of the difference between normative interest on working capital and the actual interest on WC) | <b>62.60</b> |

**Thus, the Commission, decides to allow an amount of Rs.62.60 Crores towards interest on working capital for FY19.**

**c) Interest on Consumers' Security Deposits:**

**GESCOM's Submission:**

The GESCOM in its application as per audited accounts has claimed an amount of Rs.31.94 Crores towards payment of interest on consumers' security deposits for FY19 and sought approval of the Commission for the same.

**Commission's analysis and decisions:**

The Commission notes the opening and closing balance of consumer security deposit as per audited accounts for FY19. The actual interest on the consumer deposit as per the audited accounts is Rs.31.94 Crores. The weighted average rate of interest on the average of opening and closing balance of deposits works out to of 6.24%. As per the KERC (Interest on Security Deposit) Regulations, 2005, the interest on consumers' security deposits shall be allowed as per the Bank Rate prevailing on the 1<sup>st</sup> of April of the relevant year. The bank rate as on 1<sup>st</sup> April, 2018 was 6.25%. Since the weighted average rate of interest claimed by the GESCOM, as per the

audited accounts, is well within the applicable bank rate, **the Commission decides to allow an amount of Rs.31.94 Crores towards interest on consumers' security deposits for FY19.**

**d) Other Interest and Finance charges:**

**GESCOM Submission:**

The GESCOM has not claimed any amount towards other interest and finance charges for FY19. Hence, the Commission decides not to allow any amount towards other interest and finance charges in the APR for FY19.

The total allowable interest and finance charges for FY19 are as follows:

**TABLE – 4.19**

**Allowable Interest and Finance Charges for FY19**

Amount in Rs. Crores

| Sl. No. | Particulars                               | FY19          |
|---------|---|---------------|
| 1.      | Interest on Loan capital                  | 76.17         |
| 2.      | Interest on working capital               | 62.60         |
| 3.      | Interest on consumers' security deposits  | 31.94         |
| 4.      | Less: Interest Capitalised                | -2.26         |
|         | <b>Total interest and finance charges</b> | <b>168.45</b> |

**4.2.9 Other Debits:**

**GESCOM's Submission:**

The GESCOM, in its application has claimed an amount of Rs.68.91 Crores towards Other debits by considering only the provision for bad and doubtful debts for FY19.

**Commission's analysis and decisions:**

The Commission notes that, GESCOM in its filing, without recognising the other items of expenses, has claimed only the provisions created for bad and doubtful debts which is not admissible as per the provisions of MYT Regulations. As per the provisions of MYT Regulations, the allowable Other

debits excluding the provision for bad and doubtful debts for FY19, are as detailed below:

**TABLE – 4.20**  
**Allowable Other Debits for FY19**

| Amount in Rs. Crores |  |              |
|----------------------|--|--------------|
| Sl. No               | Particulars                                  | FY19         |
| 1                    | Compensation for death, injuries and damages | 2.64         |
| 2                    | Assets decommissioning cost                  | 0.0015       |
| 4                    | Miscellaneous losses and write offs          | -5.16        |
|                      | <b>Total</b>                                 | <b>-2.52</b> |

Thus, the Commission decides to consider an amount of Rs.-2.52 Crores as other debit for FY19.

#### 4.2.10 Return on Equity:

##### GESCOM's Submission:

The GESCOM in its filings has not claimed any Return on Equity on the pretext that, the opening balance of equity as per the audited accounts depicts a negative net worth for FY19.

##### Commission's analysis and decisions:

##### Status of Debt & Equity ratio vis-a-vis GFA:

The Commission notes that, the closing balances of gross fixed assets along with break-up of equity and loan component and the details of GFA, debt and equity (net-worth) for FY19 as per the actual data as per the audited accounts are indicated as follows:

**TABLE – 4.21**  
**Status of Debt Equity Ratio for FY19**

|                    | GFA<br>(Actuals)<br>Rs. Crores | Debt<br>(Actuals)<br>Rs. Crores | Equity<br>(Net-<br>worth)<br>(Actuals)<br>Rs. Crores | Normative<br>Debt @ 70%<br>of GFA | Normative<br>Equity @<br>30% of<br>GFA | %age of<br>actual<br>debt on<br>GFA | %age of<br>actual<br>equity<br>on GFA |
|--------------------|--------------------------------|---------------------------------|--|-----------------------------------|--|-------------------------------------|---------------------------------------|
| Opening<br>Balance | 4803.86                        | 656.83                          | -209.36  | 3362.70                           | 1441.16                                | 13.67                               | -                                     |
| Closing<br>Balance | 5133.26                        | 872.04                          | 292.24   | 3593.28                           | 1539.98                                | 16.99                               | 5.69                                  |

From the above table, it is evident that the amounts of debt equity ratio are within the normative debt equity ratio of 70:30, on the closing balances of GFA for FY19.

As per the provisions of the KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail sale of electricity) Regulations, 2006 and amendments thereto, the allowable Return on Equity at 15.5% has to be allowed on the share capital, share deposit, accumulated balance of profit/loss under reserve & surplus account as per the audited accounts, as at the beginning of the year duly factoring the recapitalization of consumers' security deposit amount in compliance with the Orders of the Hon'ble ATE in appeal No.46/2014. Accordingly, the allowable RoE for FY19 is considered. The total net-worth at the beginning of FY19 is Rs.-209.36 Crores which is a negative balance and hence, GESCOM is not entitled for any RoE for FY19. However, the factual position of opening balance of equity of GESCOM is indicated below:

**TABLE – 4.22**  
**Allowable Return on Equity for FY19**

| Amount in Rs. Crores                    |             |
|---|-------------|
| OB of Paid Up Share Capital             | 1114.96     |
| OB of Share Deposits                    | 47.26       |
| OB of Carried forward Profit/loss       | -1349.58    |
| Less: Recapitalized Security Deposit    | -22.00      |
| Net Equity at the beginning of the year | -209.36     |
| <b>Allowable RoE</b>                    | <b>0.00</b> |

Further, it is noted that the additional equity of Rs.154.46 Crores has been infused during the year at different dates by the Government of Karnataka as indicated below:

**TABLE - 4.23**  
**Return on equity for the additional equity received during FY19**

| Additional Equity received during FY19 | Amount in Crs. | Received on |
|--|----------------|-------------|
| EN53 PSR 2018 dated 22.05.2018         | 22.24          | 04.06.2018  |
| EN120 PSR 2018 dated 10.08.2018        | 1.62           | 28.08.2018  |
| EN120 PSR 2018 dated 10.08.2019        | 0.50           | 28.08.2018  |
| EN129 PSR 2018 dated                   | 28.00          | 07.09.2018  |

| Additional Equity received during FY19 | Amount in Crs. | Received on |
|--|----------------|-------------|
| 30.08.2020                             |                |             |
| EN 53 PSR 2018 dated 10.09.2018        | 22.24          | 27.09.2018  |
| EN 53 PSR 2018 dated 17.10.2018        | 22.24          | 14.11.2018  |
| EN129 PSR 2018 dated 17.10.2018        | 14.18          | 09.11.2018  |
| EN120 PSR 2018 dated 31.10.2018        | 3.24           | 12.11.2018  |
| EN120 PSR 2018 dated 31.10.2018        | 1.00           | 12.11.2019  |
| EN129 PSR 2018 dated 25.01.2019        | 13.82          | 04.02.2019  |
| EN53 PSR 2018 dated 25.01.2019         | 23.24          | 05.02.2019  |
| EN120 PSR 2018 dated 25.01.2019        | 1.64           | 06.02.2019  |
| EN120 PSR 2018 dated 25.01.2019        | 0.50           | 06.02.2019  |
| <b>TOTAL</b>                           | <b>154.46</b>  |             |

However, it is noted that even after considering the additional equity received during FY19, the net worth of GESCOM remains negative, and the RoE is not allowable for FY19.

**Thus, the Commission decides not to allow any RoE for FY19.**

#### 4.2.11 Other Income:

##### **GESCOM's Submission:**

The GESCOM in its application has indicated an amount of Rs.82.33 Crores as Other Income under APR for FY19.

##### **Commission's analysis and decisions:**

The Commission notes that as per the audited accounts an amount of Rs.127.64 Crores has been accounted under the account head 'other income' for FY19. The other income of Rs.127.64 Crores includes rental income, interest income, profit on sale of scrap, rebate on remittance of electricity duty and other miscellaneous income. This amount also includes an amount of Rs.11.25 Crores pertaining depreciation on the assets created out of grants received from government for Capital works and Rs.34.07 Crores towards depreciation on the assets created out of Consumers'

Contribution for FY19. After deducting the above amounts totaling to Rs.45.32 Crores, **the Commission decides to allow an amount of Rs.82.33 Crores as other income for FY19.**

#### **4.2.12 Fund towards Consumer Relations / Consumer Education:**

##### **GESCOM's Submission:**

The GESCOM, in its application, has not claimed any amount towards Consumer Education/Consumer Relation for FY19.

##### **Commission's analysis and decisions:**

The Commission has been allowing an amount of Rs.0.50 Crore per year towards consumer relations / consumer education. The Commission as per the audited accounts notes that, an amount of Rs.0.01 Crores has been incurred towards Consumer Relations/Consumer Education for FY19.

**Thus, the Commission decides to approve Rs.0.01 Crores towards Consumer Relations / Consumer Education for FY19.**

#### **4.2.13 Revenue for FY19:**

The GESCOM, in its application, has considered Rs.5078.44 Crores as revenue from sale of power from consumers and miscellaneous charges from consumers for FY19.

##### **Commission's analysis and decisions:**

As per the GESCOM audited accounts for FY19, revenue from sale of power is Rs.5078.44 Crores. which also includes an amount of Rs.44.32 Crores collected on the sale of power to an extent of MU through IEX. The Commission, while approving the power purchase cost has reckoned this amount and allowed the net power purchase cost of Rs.3904.92 Crores for FY19. Accordingly, the Commission after deducting Rs.44.32 Crores being the amount collected on the sale of power to an extent of 99.75 MU through IEX, decides to consider Rs.5034.12 Crores as revenue from sale of power and miscellaneous charges from consumers in the approval of revised ARR as per APR of GESCOM for FY19.



**4.2.14 Subsidy for FY19:**

The Commission in its Tariff Order dated 14<sup>th</sup> May, 2018 had approved the tariff subsidy of Rs.2027.43 Crores towards sale of power to BJ/KJ and IP sets installations for FY19, in accordance with the prevailing Government Order. The Commission notes that, as per the audited accounts, the tariff subsidy towards sale of power to BJ/KJ and IP Sets installations is Rs.2154.89 Crores for FY19. The Commission, while computing the revised ARR as per the APR for FY19, has considered revised tariff subsidy of Rs.2154.89 Crores towards sale of power to BJ/KJ and IP sets installations for FY19. The difference of Rs.127.46 Crores between the originally approved tariff subsidy during ARR for FY19 and the tariff subsidy computed during the APR of FY19, is required to be collected from the GoK by GESCOM.

**4.3 Abstract of Approved ARR for FY19:**

As per the above item-wise decisions of the Commission, the consolidated Statement of revised ARR for FY19 is as follows:

**TABLE – 4.24****Approved revised ARR for FY19 as per APR**

Amount in Rs. Crores

| Sl. No | Particulars   | As approved 14.05.2018 | As filed       | Approved in APR for FY19 |
|--------|---|------------------------|----------------|--------------------------|
| 1      | Energy at Gen Bus in MU                                   | 8474.32                | 9306.90        | 9306.90                  |
| 2      | Energy at Interface in MU                                 | 8213.06                | 8796.04        | 8796.04                  |
| 3      | Distribution Losses in %                                  | 15.00%                 | 14.41%         | 14.41%                   |
|        | <b>Sales in MU</b>  |                        |                |                          |
| 4      | Sales to other than IP & BJ/KJ                            | 3455.84                | 3767.93        | 3775.85                  |
| 5      | Sales to BJ/KJ  | 140.78                 | 245.40         | 237.48                   |
| 6      | Sales to IP   | 3384.48                | 3514.97        | 3514.97                  |
| 7      | <b>Total Sales-MU</b>                                     | <b>6981.10</b>         | <b>7528.30</b> | <b>7528.30</b>           |
|        | <b>Revenue from tariff and Misc. Charges:</b>             |                        |                |                          |
| 8      | Revenue from tariff and Misc. Charges                     | 2679.65                | 2919.90        | 2879.23                  |
| 9      | Tariff Subsidy for BJ/KJ                                  | 94.89                  | 159.62         | 155.97                   |
| 10     | Tariff Subsidy for IP                                     | 1932.54                | 1998.92        | 1998.92                  |
|        | <b>Total Existing Revenue</b>                             | <b>4707.08</b>         | <b>5078.44</b> | <b>5034.12</b>           |
|        | <b>Expenditure</b>  |                        |                |                          |
| 11     | Power Purchase Cost                                       | 2909.59                | 3589.65        | 3545.33                  |
| 12     | Transmission charges of KPTCL                             | 354.27                 | 356.70         | 356.70                   |
| 13     | SLDC Charges  | 2.89                   | 2.89           | 2.89                     |
|        | <b>Power Purchase Cost including cost of transmission</b> | <b>3266.75</b>         | <b>3949.24</b> | <b>3904.92</b>           |
| 14     | Employee Cost   | 557.44                 | 529.21         | 681.81                   |

| Sl. No    | Particulars  | As approved 14.05.2018 | As filed       | Approved in APR for FY19 |
|-----------|--|------------------------|----------------|--------------------------|
| 15        | Repairs & Maintenance  |                        | 45.85          |                          |
| 16        | Admin & General Expenses   |                        | 118.78         |                          |
|           | <b>Total O&amp;M Expenses</b>  | <b>557.44</b>          | <b>693.84</b>  | <b>681.81</b>            |
| 17        | Depreciation   | 155.22                 | 145.66         | 145.67                   |
|           | <b>Interest &amp; Finance charges:</b>                                 |                        |                |                          |
| 18        | Interest on Loans  | 127.53                 | 97.54          | 76.17                    |
| 19        | Interest on Working capital  | 96.17                  | 156.56         | 62.60                    |
| 20        | Interest on belated payment on PP Cost                                 | 0.00                   | 0.00           | 0.00                     |
| 21        | Interest on consumer deposits  | 30.93                  | 31.94          | 31.94                    |
| 22        | Other Interest & Finance charges                                       | 0.00                   | 0.00           | 0.00                     |
| 23        | Less: interest capitalized   | -4.28                  | -2.26          | -2.26                    |
|           | <b>Total Interest &amp; Finance charges</b>                            | <b>250.35</b>          | <b>283.78</b>  | <b>168.45</b>            |
| 24        | Other Debits   | 0.00                   | 68.91          | -2.52                    |
| 25        | Net Prior Period Debit/Credit  | 0.00                   | 0.00           | 0.00                     |
| 26        | Return on Equity   | 56.80                  | 0.00           | 0.00                     |
| 27        | Provision for taxation   | 0.00                   | 0.00           | 0.00                     |
| 28        | Funds towards Consumer Relations/Consumer Education                    | 0.50                   | 0.00           | 0.01                     |
| 29        | Less: Other Income   | -45.04                 | -82.33         | -82.33                   |
|           | <b>ARR</b>   | <b>4242.02</b>         | <b>5059.10</b> | <b>4816.01</b>           |
| 30        | Deficit of FY17 carried forward  | -465.06                | 0.00           | 0.00                     |
| 31        | Add: Incentive for reduction of losses beyond lower target loss levels | 0.00                   | 0.00           | 3.99                     |
| 32        | Less: Penalty for imprudent works found during prudence check          |                        |                | <b>- 0.92</b>            |
| <b>33</b> | <b>Net ARR</b>   | <b>4707.08</b>         | <b>5059.10</b> | <b>4819.09</b>           |
| <b>34</b> | <b>Surplus / Deficit (-) for FY19</b>                                  | <b>0.00</b>            | <b>19.34</b>   | <b>215.04</b>            |

#### 4.3.1 Gap in Revenue for FY19:

As against the approved ARR of Rs.4707.08 Crores, the Commission, after the Annual Performance Review of GESCOM, decides to allow a revised ARR of Rs.4819.09 Crores for FY19. Considering the revenue of Rs.5034.12 Crores, a surplus in revenue of Rs.215.04 Crores is determined for the year FY19.

**The Commission decides to carry forward the surplus of Rs.215.04 Crores of FY19 to the proposed revised ARR for FY21 as discussed in the subsequent Chapter of this Order.**