

CHAPTER-4

ANNUAL PERFORMANCE REVIEW FOR FY-23

4.1 Hon'ble Commission has approved the Annual Revenue Requirement of MESCOM for FY23 in the Tariff Order-2022 dated 04.04.2022. The tariff determined in the order was given effect from 01st April 2022.

MESCOM has the audited Annual Accounts for FY23 and accordingly, proposing here below the Annual Performance Review for the financial year FY23, in accordance with the *KERC (Terms & Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2015*, for kind consideration of the Hon'ble Commission. The Audited Annual Accounts for FY23 has been considered in the current filing.

4.2 Annual Performance Review for the financial year FY23:

The operating and financial performance of the Company in FY23 is detailed in the foregoing paragraphs.

4.2.1 Operating Performance:

a. Energy Sales:

Category wise actual energy sales in FY23 as against the energy sales approved in Tariff Order-2022 are as below;

Category	FY22	FY23	
	Actuals (MU)	As approved in T.O. 2022(MU)	Actuals (MU)
LT-1:=< 40 Units	35.28	32.97	33.46
LT-1:> 40 Units	17.99	23.08	16.97
LT-2a	1560.99	1651.39	1599.41
LT-2b	11.12	8.28	16.78
LT-3	382.03	374.90	445.08
LT-4a	1492.01	1712.39	1643.06
LT-4b&c	7.39	10.98	7.23
LT-5	134.60	129.57	151.66
LT-6(W/s)	151.62	159.82	160.22
LT-6(St. Lt.)	69.92	76.80	66.92
LT-7	21.90	18.32	25.27
LT-Total	3884.85	4198.51	4166.06
HT-1	107.74	109.62	109.81
HT-2a	711.32	595.83	847.25
HT-2b	166.84	173.95	211.02
HT-2c	106.61	114.84	142.49
HT-3a&b	90.78	137.59	19.66
HT-4	22.87	23.34	24.53
HT-5	2.75	2.29	3.29
HT-Total	1208.91	1157.47	1358.05
SIS & Msl. Revenue	-	25.00	-
MSEZ Supply	67.95	44.1825	67.35
KPCL Consumption	6.81	6.57	6.90
Grand Total	5168.52	5431.72	5598.36



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(*) KERC has approved the total sales of **5387.54** mu i.e., by excluding sales to MSEZ (44.1825 MU). But the energy is considered in generation point energy.

Category	% incr. / decr. w.r.t. FY22 Actuals	% incr. / decr. w.r.t. apprd. Quantum
LT-1:> 40 Units	-5.16%	1.49%
LT-1:=< 40 Units	-5.67%	-26.47%
LT-2a	2.46%	-3.15%
LT-2b	50.90%	102.66%
LT-3	16.50%	18.72%
LT-4a	10.12%	-4.05%
LT-4b&c	-2.17%	-34.15%
LT-5	12.67%	17.05%
LT-6(W/s)	5.67%	0.25%
LT-6(St. Lt.)	-4.29%	-12.86%
LT-7	15.39%	37.94%
LT-Total	7.24%	-0.77%
HT-1	1.92%	0.17%
HT-2a	19.11%	42.20%
HT-2b	26.48%	21.31%
HT-2c	33.66%	24.08%
HT-3a&b	-78.34%	-85.71%
HT-4	7.26%	5.10%
HT-5	19.64%	43.67%
HT-Total	12.34%	17.33%
MSEZ Supply	-0.88%	52.44%
KPCL Consumption	1.32%	5.02%
Grand Total	8.32%	3.07%

As can be observed from the above table, MESCOM has reached about 99% of the total approved sales in respect of LT & achieved 117% in respect of HT category, with an overall achievement of 103%. When compared to FY22, the achievement stands at 107% & 112%, respectively under LT and HT.

Further, it can be noted that in respect of HT-2a, HT-2b and HT-2c category there is growth of about 250.85 MU, 37 MU and 28 MU respectively with reference to approved sales, whereas with reference to FY 22 the growth in sales in these categories is 135 MU, 44 MU and 36 MU.

LT-4a category has recorded 1643.06 MU of energy sales in FY23 which is less by 4 % compared to the approved sales and 10 % more compared to FY 22.

The data in respect of sales along with the consumption from open access / wheeling for the period from 2016-17 to 2022-23 are furnished below;



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HT-2a (MU)

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
FY17	548.29	241.47	789.76
FY18	596.27	283.26	879.53
FY19	624.76	319.96	944.72
FY20	635.20	329.39	964.59
FY21	550.54	310.63	861.17
FY22	711.32	350.04	1061.36
FY23	918.96	334.64	1253.60

HT-2b (MU)

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
FY17	186.06	-	186.06
FY18	193.17	3.41	196.58
FY19	200.43	3.82	204.25
FY20	205.72	4.89	210.61
FY21	140.44	22.13	162.57
FY22	166.84	18.41	185.25
FY23	211.02	21.57	232.59

HT-2c (MU)

Year	Energy Procured from MESCOM	Open Access + Wheeled Energy	Total
FY17	154.85	27.12	181.97
FY18	137.07	47.76	184.83
FY19	144.58	49.54	194.12
FY20	139.87	58.37	198.24
FY21	89.81	37.39	127.20
FY22	106.61	60.67	167.28
FY23	142.49	65.48	207.97

b. Distribution Loss:

In the Tariff Order 2022, Hon'ble Commission has approved an average distribution loss of 9.10% for FY23 with 9.30% being the upper limit and 8.85% being the lower limit, against which the actual distribution loss of MESCOM in the year FY23 is 8.42%.

1	Energy at Interface Points in MU	6112.96
2	Total Sales in MU	5598.36
3	Distribution Loss (%)	8.42%



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4.2.2 Financial Performance:

The financial performance of MESCOM as per the provisional Annual Accounts for FY23 v/s the Annual Revenue Requirement approved by the Hon'ble Commission in the Tariff Order-2022 is tabulated below;

Particulars	As apprd. in TO-2022 (Rs. In Cr.)	As per FY23 Accounts (Rs. In Cr.)
A. INCOME:		
Revenue from sale of power (#)	3296.42	# 3541.57
Revenue subsidies	1081.63	1051.33
A-Total Income:	4378.05	4592.90
B. EXPENDITURE:		
(1) Purchase of Power	2328.88	2708.94
(2) KPTCL Transmission charges	383.26	385.07
(3) SLDC Charges	2.46	2.46
Sub-Total (1+2+3):	2714.60	3096.47
O&M Costs:		
(a) Repairs & Maintenance		83.14
(b) Employee Costs	762.76	640.43
(c) Administrative & General Expenses		115.39
Sub-Total (a+b+c):	762.76	838.96
Depreciation	201.94	238.84
Interest & Finance Charges:		
(i) Interest on Loan Capital	129.04	100.14
Cost of raising finance	1.58	1.07
(ii) Interest on Working Capital	76.61	26.90
(iii) Interest on Consumer Deposits	33.69	30.90
(iv) Interest on belated power purchase payments	-	-
Sub-Total (i+ii+iii+iv):	240.92	159.01

	As apprd. in TO-2022 (Rs. In Cr.)	As per FY23 Accounts (Rs. In Cr.)
Less: Interest & Finance charges capitalized	(2.10)	-
Other Debits (including bad debts)	-	13.95
Extraordinary items	-	-
Provision for taxes	-	-
Funds towards consumer relations	0.50	0.11
Sub-Total:	1.60	14.06
B-Total Expenditure:	3918.62	4347.34
Return on Equity	151.53	-
Regulatory Assest as per TO-2020	61.47	-
Surplus / Deficit of previous year	341.96	-
Less: Other Income	(95.53)	(148.24)
Sub-Total:	459.43	-(148.24)
NET Annual Revenue Requirement	4378.05	4199.10
Net Movement in Reg. Deferral account balance	-	341.96
REVENUE Surplus / (Deficit)	-	51.85

includes revenue from MSEZ.



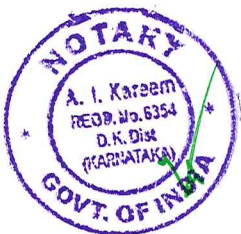
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Particulars	As proposed For APR of FY23 (Rs. In Cr.)
A. INCOME:	
Revenue from sale of power	# 3541.57
Revenue subsidies	1051.33
A-Total Income:	4592.90
B. EXPENDITURE:	
(1) Purchase of Power	2708.94
(2) KPTCL Transmission charges	385.07
(3) SLDC Charges	2.46
Sub-Total (1+2+3):	3096.47
O&M Costs:	
(a) Repairs & Maintenance	83.14
(b) Employee Costs	640.43
(c) Administrative & General Expenses	114.73
Sub-Total (a+b+c):	838.30
Depreciation	190.23
Interest & Finance Charges:	
(i) Interest on Loan Capital	100.14
Cost of raising finance	1.07
(ii) Interest on Working Capital	61.59
(iii) Interest on Consumer Deposits	30.90
(iv) Interest on belated power purchase payments	-
Sub-Total (i+ii+iii+iv):	193.70

Particulars	As proposed For APR of FY23 (Rs. In Cr.)
Less: Interest & Finance charges capitalized	-
Other Debits (including bad debts)	14.61
Extraordinary items	-
Provision for taxes	-
Funds towards consumer relations	0.11
Sub-Total:	14.72
B-Total Expenditure:	4333.32
Return on Equity	163.44
Carrying cost on Regulatory Asset as per TO-2020	12.29
Less: Other Income	(99.62)
Sub-Total:	76.11
NET Annual Revenue Requirement	4409.43
REVENUE Surplus / (Deficit)	183.37

includes revenue from MSEZ.

The reason for the major variation in the expenditure with reference to the approved costs are enumerated in the below paragraphs.



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Power Purchase Cost:

In the Tariff Order 2022, Hon'ble Commission has approved the energy at generation point as 6151.48 MU to cater energy sales of 5387.54 MU (excluding MSEZ).

Whereas, MESCOM had purchased 6430.14 MU and energy sales is 5598.36 (including MSEZ) MU.

Source wise details are submitted in Format D-1 and the abstract of the same is drawn below;

Source	Approved Energy Purchase and Cost for FY23					
	MU	Fixed Charges (Rs.in Cr)	Variable Charges (Rs.in Cr)	Other Charges (Rs.in Cr)	Total (Rs.in Cr)	Avg. Cost (Rs./unit)
1	2	3	4	5	6	7
KPCL_Thermal	843.40	262.21	242.66	-	504.87	5.99
CGS	1466.00	253.12	428.06	-	681.18	4.65
UPCL	92.02	53.69	39.39	-	93.08	10.11
KPCL_Hydel	2209.48	-	248.95	-	248.95	1.13
Other_Hydel	43.03	-	11.50	-	11.50	2.67
NCE	1342.43	-	532.80	-	532.80	3.97
Bundled Power	155.11	-	72.32	-	72.32	3.97
UI Charges	-	-	-	-	-	-
Energy Balancing	-	-	-	-	-	-
Sales/Purchase (IEX)	-	-	-	-	-	-
PGCIL Charges	-	183.833	-	-	183.833	-
POSOCO Charges	-	0.36	-	-	0.36	-
KPTCL Tr. Charges	-	383.258	-	-	383.258	-
SLDC Charges	-	2.458	-	-	2.458	-
Other Charges	-	-	-	-	-	-
TOTAL:	6151.48	1138.93	1575.68	-	2714.60	4.41

Source	Actual Energy Purchase and Cost for FY23					
	MU	Fixed Charges (Rs.in Cr)	Variable Charges (Rs.in Cr)	Other Charges (Rs.in Cr)	Total (Rs.in Cr)	Avg. Cost (Rs./unit)
1	2	3	4	5	6	7
KPCL_Thermal	825.07	186.11	382.82	3.81	572.75	6.94
CGS	1787.73	229.11	700.08	27.26	956.45	5.35
UPCL	62.45	53.58	71.30	1.35	126.23	20.21
KPCL_Hydel	2437.90	0.00	221.84	5.94	227.78	0.93
Other_Hydel	49.99	0.00	14.98	0.00	14.98	3.00
NCE	1434.79	0.00	622.33	0.00	622.33	4.34
Bundled Power	138.49	0.00	79.06	0.00	79.06	5.71
UI Charges	-17.29	0.00	-2.44	0.00	-2.44	1.41
Energy Balancing	-24.54	0.00	58.72	0.00	58.72	-
IEX Sale	-379.36	0.00	-219.25	0.00	-219.25	5.78
IEX Purchase	45.98	0.00	36.88	0.00	36.88	8.02
PGCIL Charges	0.00	236.27	0.00	0.00	236.27	-
POSOCO Charges	0.00	0.48	0.00	0.00	0.48	-
KPTCL Tr. Charges	0.00	385.07	0.00	0.00	385.07	-



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SLDC Charges	0.00	2.46	0.00	0.00	2.46	
Banking arrangement and Other Charges	68.94	1.00	0.00	-2.29	-1.29	-0.19
TOTAL:	6430.14	1094.08	1966.33	36.06	3096.47	4.82

In view of the above, Hon'ble Commission is requested to allow the power purchase cost as incurred by MESCOM in FY23.

O&M Charges:

In FY23, MESCOM has incurred the O&M expenses as below;

Particulars	As approved in TO-2021 (Rs.in Cr.)	Actuals (Rs.in Cr.)
Repairs & maintenance		83.14
Employee Costs	762.76	640.43
Administrative & General expenses		115.39
Total:	762.76	838.96

The revision of pay w.e.f. 01.04.2022 is approved in FY 2023. The difference of revised pay relating to FY 22 amounting Rs. 82.75 crores is incurred in FY-23. This has resulted in comparative increase in O&M cost as against the approved. The Commission has decided in the Tariff Order 2023 for considering the cost towards revision of pay relating to FY 23 in the APR for FY 23. Accordingly the Hon'ble Commission is requested to allow O&M expenses of Rs.838.96 Cr as incurred by MESCOM in FY23.

Depreciation:

As against the approved depreciation of Rs.201.94, MESCOM has provided Rs.190.23 Cr. This is after deducting the depreciation chargeable on the assets created out of Govt. Grants and Consumer Contribution received after 01.04.2016 as follows;

Depreciation on Total Assets: Rs. 238.84 Cr.
Less: Depreciation on assets created out of Govt. Grants and Consumer Contribution Rs. 48.61 Cr.

Net depreciation Claimed in APR Rs. 190.23 Cr

The assets created out of Govt. Grants and Consumer Contribution till 31.03.2016 amounting to Rs.515.17 Cr have been shown as a reduction in the Cost of fixed Assets and depreciation on these assets i.e. Rs.24.22 Cr is reduced from the total depreciation.

As such, Hon'ble Commission is requested to consider the depreciation amount provided in Annual Accounts for FY23.

Interest & Finance Charges:

In the Tariff Order 2022, Hon'ble Commission has approved the Interest & Finance Charges of Rs.238.82 Cr for the year FY23.

As per the provisions of MYT Regulations MESCOM has claimed the Interest & Finance charges in the APR of FY23 as follows;



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Particulars	As approved in TO-2022	As per Accounts	As claimed in APR
Interest on Loan Capital	126.94	100.14	100.14
Cost of raising finance	1.58	1.07	1.07
Interest on Working Capital	76.61	26.90	61.59
Interest on Consumer Deposits	33.69	30.90	30.90
Total	238.82	159.01	193.70

(*) Claimed Working capital is arrived as follows in line with MYT Regulations.

Particulars	As per Accounts (Rs.in Cr)
1/12th of O&M Expenses	69.91
Opening GFA	4389.38
1% of opening GFA	43.89
1/6th of Revenue	757.50
Total Working Capital	871.31
Normative Interest on Working Capital @ 11.05%	96.28
Actual interest on working capital incurred in FY23	26.90
Interest on working capital claimed	61.59

(*) Statement showing status of borrowing as on 31-03-2023 is detailed in format D-9.

Funds towards Consumer Relations:

In FY23, MESCOM has incurred an expenditure of Rs.0.11 Cr towards consumer relation activities as against the approved expenditure of Rs.0.50 Cr. In this regard, the expenditure breakup details are furnished below;

Particulars	Rs. in Crs
Consumer Awareness Information Given in the Newspapers	0.05
HT Consumer meet , Consumer Interaction etc	0.06
Total	0.11

Subsidy Release during FY23:

Details of subsidy claims by MESCOM and releases by GoK during FY23.

(Rs.in Cr)

Sl. No.	Particulars	MU	OB	Demand	Receipt	CB
1	Power supply to IP Sets of up to 10 HP (LT4a)	1643.06	359.87	1015.84	980.15	395.56
2	Power supply to BJ/KJ upto 18 Units per month per Installations	33.46	-	30.60	30.60	-
3	Amount refunded in respect of IP Set payment made by farmers from 01.04.2001 to 31.03.2003	-	31.80	-	-	31.80
4	Old subsidy accounted as per GO No: EN 67 PSR 2017 BANGALORE Dated 31.07.2017	-	77.22	-	-	77.22
5	Gap to be paid by GOK for	-	52.33	-	-	52.33



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	FY 2011-12 & FY 2012-13 as per KERC Truing-up Order					
	Total:	1676.52	521.22	1046.44	1010.75	556.91

Return on Equity:

In the Tariff Order 2022, Hon'ble Commission has allowed the Return on Equity of Rs.151.53 Cr for FY23.

However, as per the provisions of Clause 3.9.1 of the KERC (Terms & Conditions for Determination of Tariff for Retail Sale of Electricity) Regulations the allowable Return on Equity works out to Rs.163.44 Cr, the computation details are as below.

(Return on Equity: Rs. In Crores)

Year	FY23
Opening balance of paid up share capital	662.42
Share Deposit	14.75
Reserves & Surplus (#)	211.13
Less: Recapitalized Security Deposit	(-)26.00
Total:	862.30
Rate of ROE	15.50%
RoE on opening equity of FY-23	133.66
ROE on equity infused during FY-23 (*)	1.23
Total ROE considered for APR	134.89
ROE Grossed up by MAT, Surcharge & Cess (17.472%)	163.44

(#) excluding Reserve for Material Cost Variance, Capital Reserve and Net worth Adjustments.

(*) Return on equity for the additional equity received during FY23:

Sl. No	Govt. Order Date	Amount (in Cr)	Actual date of receipt	No. of Months	ROE
1	Energy 189/ PSR 2022 dated 13.04.2022	0.00	19.04.2022	11	0.00
2	Energy 332/ PSR 2022 dated 14.07.2022	1.41	03.09.2022	6	0.11
3	Energy 333/ PSR 2022 dated 30.07.2022	3.16	03.09.2022	6	0.24
4	Energy 387/ PSR 2022 dated 11.10.2022	0.00	21.10.2022	5	0.00
5	Energy 332/PSR 2022 dated 13.10.2022	0.71	29.10.2022	5	0.05
6	Energy 333/PSR 2022 dated 13.10.2022	1.58	10.11.2022	4	0.08
7	Energy 23/PSR 2022 dated 21.11.2022	0.00	29.11.2022	4	0.00
8	Energy 189/PSR 2022 dated 03.12.2022	0.00	08.12.2022	3	0.00
9	Energy 387/PSR 2022 dated 15.12.2022	0.00	22.12.2022	3	0.00
10	Energy 332/PSR 2022 dated 17.01.2023	0.71	25.01.2023	2	0.02

Rs.in Cr.



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11	Energy 333/PSR 2022 dated 17.01.2023	1.58	10.02.2023	1	0.02
12	Energy 36/PSR 2022 dated 06.02.2023	55.00	27.02.2023	1	0.71
13	Energy 387/PSR 2022 dated 04.03.2023	0.00	13.03.2023	0	0.00
14	Energy 75/PSR 2022 dated 23.03.2023	0.00	27.03.2023	0	0.00
Grand Total		64.13			1.23

Status of Debt Equity Ratio:

Particulars	FY23
GFA Closing Balance	4996.88
Debt	1223.96
Equity	1004.28
Normative Debt @ 70% of GFA	3497.82
Normative Equity @ 30% of GFA	1499.06
% of actual DEBT on GFA	24.49 %
% of actual EQUITY on GFA	20.10 %

Equity infused during FY 24 (up to Sept-23) vide GoK Order No Energy 36 PSR 2023, dtd 06.06.23 is Rs 14.50 Crs and the amount is received on 01.07.2023.

Carrying cost on Regulatory Asset:

In the Tariff Order 2020, Hon'ble Commission has created regulatory asset amounting to Rs.122.93 Cr which has been amortized in FY22 and FY23. However, as per the said tariff order carrying cost @ 10% has to be considered in the Annual Performance Review of FY22 and FY23. Accordingly, MESCOM has claimed Rs.12.29 Cr towards carrying cost in APR.

Other Income:

As per the Annual Accounts for 2022-23, the income under the head 'Other Income' is Rs.196.16 Cr. However, MESCOM has considered the 'Other Income' for APR as follows;

Particulars	FY22
'Other Income' as per Annual Accounts for 2022-23	196.16
Less: 'Delayed Payment Charges from Consumers'	(47.92)
Less: Depreciation on Grants and consumer contribution	(48.62)
'Other Income' considered for APR	99.62

Incentive for prompt payment of power purchase bills:

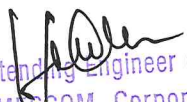
Power Generators allow rebate as a percentage of the invoiced amount for arranging payment by ESCOMs within the prescribed time limit. The Incentive so availed is accounted as Income and shown under Other Income. KERC is allowing ESCOM to retain only 10% of the rebate amount and balance amount passed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



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


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To consider the Truing up results of previous year in the Truing up exercise of year under consideration.

Determination of the Retail Supply Tariff chargeable by the Company to its consumers is governed by KERC (Terms and conditions for determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006, and the amendments made thereon from time to time, whereby KERC is required to determine the Tariff in a manner that the Company recovers its Power purchase cost as well as other prudently incurred expenses and earns post tax return of 15.50% p.a. on KERC approved Equity.

Accordingly Hon'ble Commission is determining the tariff based on the estimations submitted by the Company each year at the beginning of the year itself. Later, on finalization of accounts for the respective year, Hon'ble Commission will carry out the process of Annual Performance Review (Truing up), based on the audited accounts of the Company and the actual deficit / surplus will be carried forward for determination of tariff for future year/years.

For example, the Truing up deficit of FY 2016-17 was carried forward by the Hon'ble Commission for estimation/ determination of Tariff for FY 2018-19, as the Audited accounts of FY 2016-17 was made available to the Hon'ble Commission in the middle of the FY 2017-18.


Accordingly the Truing up deficit of FY 2016-17 amounting to Rs. 553.83 Crs was carried forward for estimation/ determination of Tariff for FY 2018-19 as detailed below:

Table -1			Rs. In Crs
Sl. NO.	Particulars	Truing up of FY 2016-17	Estimation of FY 2018-19
1.	Approved Expenses for the current year	3372.13	2691.87
2	True up gap of FY 2016-17	-	553.83
3	Total Expenses (1+2)	3372.13	3245.70
4	Total Revenue	2818.30	3103.65
5	Surplus (+)/Deficit (-) (4-3)	(-)553.83	(-)142.05

It can be seen from the above table that, deficit of FY 2016-17 amounting to Rs. 553.83 Crs was carried forward for estimation/ determination of Tariff for FY 2018-19.

However, after finalization of the accounts for the year 2018-19, while passing the True up Order for this year, the deficit of the year 2016-17 which was considered for estimation **was not carried forward** by the Hon'ble Commission as detailed in the table below:




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Sl. NO.	Particulars	Estimation of FY 2018-19	As per Audited Accounts	As per APR order of KERC for FY 2018-19
1.	Approved Expenses for the current year	2691.87	3131.06	3037.25
2	True up gap of FY 2016-17	553.83	553.83	0.00
3	Total Expenses (1+2)	3245.70	3684.89	3037.25
4	Total Revenue	3103.65	3352.25	3270.80
5	Surplus (+)/Deficit (-) (4-3)	(-)142.05	(-)332.64	(+)233.55

It can be seen from the above table that, the gap of FY 2017 amounting to Rs. 553.83 Crs which was carried forward as a cost while arriving at the ARR/ Tariff determination for FY 2018-19, was **not** carried forward by the Hon'ble Commission in the process of APR of same year. However, the entire revenue recovered during the year 2018-19 (Rs. 3270.80 Crs) which includes the revenue recovered on account of gap of FY 2017 was factored in the APR. By doing so, Hon'ble Commission has wrongly arrived at APR Surplus of Rs. 233.55 Crs for the year 2018-19 in place of actual gap (deficit) of Rs. 332.64 Crs. **Hence it is opined that, the True-up Gap of FY 2016-17 which was determined, approved and allowed by Hon'ble KERC amounting to Rs. 553.83 Crs was remained unrealized.**

Since the revenue recovered during the year 2018-19 (Rs. 3270.80 Crs) is inclusive of the revenue towards the deficit of FY 2016-17 also, while carrying out True-up of FY 2018-19, the Hon'ble Commission, either should have carried forwarded the True-up gap of FY 2016-17 (Rs. 553.83 Crs) in expenditure side (as was done while estimating) OR the revenue of the year 2018-19 should have been reduced to that extent, so that exclusive revenue and expenses of year 2018-19 are considered for arriving at actual Truing up gap of the year 2018-19.

Hon'ble KERC is carrying out Truing up exercise (APR Process) every year since 2007-08 as per KERC (Terms and conditions for determination of Tariff for Distribution and Retail Sale of Electricity) Regulations 2006. The details of surplus/deficit arrived in the APR process of MESCOM by KERC in each year since FY 2007-08 is as below:





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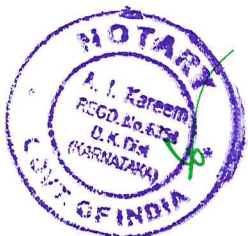
Table -3

Rs. In Crs

Sl. No.	FY	The tariff order in which ARR was done	Net ARR as per APR order	Net revenue as per APR order	Deficit (-) surplus (+) for the year	Cumulative Deficit (-) surplus (+)
1	2	3	4	5	6	7
1	2007-08	25.11.2009	942.69	900.58	-42.11	-42.11
2	2008-09	25.11.2009	1141.93	1047.68	-94.26	-136.37
3	2009-10	07.12.2010	1171.76	1175.25	3.50	-132.87
4	2010-11	28.10.2011	1428.03	1347.65	-80.38	-213.25
5	2011-12	06.05.2013	1529.70	1598.59	68.89	-144.36
6	2012-13	12.05.2014	1997.31	1748.73	-248.57	-392.93
7	2013-14	02.03.2015	1866.77	1952.77	86.00	-306.93
8	2014-15	30.03.2016	2046.84	2191.35	144.51	-162.42
9	2015-16	11.04.2017	2758.95	2363.21	-395.74	-558.16
10	2016-17	30.05.2018	3372.13	2818.30	-553.83	-1111.99
11	2017-18	30.02.2019	3184.86	3156.64	-28.22	-1140.21
12	2018-19	04.11.2020	3037.25	3270.80	233.55	-906.66
13	2019-20	09.06.2021	3859.55	3756.41	-103.15	-1009.81
14	2020-21	04.04.2022	4115.18	3650.29	-464.89	-1474.7
15	2021-22	12.05.2023	3729.92	3953.71	223.79	-1250.91
	Total		36182.87	34931.96	-1250.91	

Since, Hon'ble KERC is not carrying forward the previous gaps as narrated above, the total gap approved by Hon'ble Commission up to FY 2021-22 amounting to Rs. 1250.91 Crs was remained unrecovered.

It is evident from the records that, though the Hon'ble Commission is taking into account the surplus or the deficit of the relevant year for determining the tariff for ensuing financial year, it was not recovered in the real sense, as Hon'ble Commission has considered the entire revenue as the revenue of the year under consideration for APR but has not considered the previous year's gap on expenditure side. It is very conspicuous from the APR format that, the gap figure of the previous year which was considered in the tariff determination is missing in the APR of respective year. This missing figure is the reason for not passing on of the gap of the previous/ earlier years.



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During filing APR for FY 2018-19, Company had requested the Hon'ble Commission to consider the deficit of previous years up to FY 2016-17 amounting to Rs. 1111.98 Crs. However the claim of the Company was rejected by Hon'ble Commission stating that, "As per the decisions of the Hon'ble ATE, True up of ARR once done cannot be re-opened at subsequent point of time". In this regard it is once again submitted that MESCOM is not requesting for reopening or redoing of the APR of any earlier years for determination of the surplus or deficit of the respective years. MESCOM has already conceded for the APR results carried out by the Hon'ble Commission except non-considering of previous year's gap. The only appeal to the Hon'ble Commission is, to pass on the result of APR of the respective years in the current APR, to this Company.

It is prayed before the Hon'ble Commission to consider the trued up deficit balances to the extent of Rs. 1250.91 Crs, as shown in the **Table-3** above, in the truing up exercise of the FY 2022-23 which is under consideration in this appeal petition.

4.2.3 Renewable Purchase Obligation (RPO) Compliance:

The Superintending Engineer (El.), TBC, KPTCL, Bengaluru has communicated the RPO compliance details of ESCOMs as per which RPO compliance of MESCOM are as follows (copy of the statement furnished by SLDC is enclosed as Annexure-1);

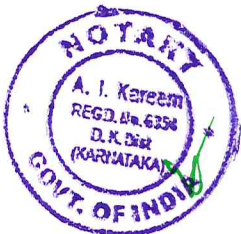
a. Solar and Non-solar RPO Compliance (Actuals for FY23):

Sl. No.	Particulars	Quantum In MU	Cost Rs.in Cr
1.	Total power purchase quantum from all sources excluding Hydro-energy	4060.72	2212.38
2.	RE purchased under PPA route at Generic Tariff including Solar RE purchase from KPCL	* 1514.90	670.01
3.	RE purchased from Exchanges	-	-
4.	RE sold in Exchanges	(54.13)	(35.93)
5.	RE (Green Energy) sold to consumers	(16.35)	(8.18)
6.	RE purchased from other ESCOMs	-	-
7.	RE sold to other ESCOMs	-	-
8.	Banked RE purchased @ 85% of Generic Tariff.	** 32.80	12.18
9.	Total RE Purchased [2+3-4-5+6-7+8]	1478.23	638.16
10.	RPO Target (%)	25.00%	
11.	RPO Complied (%)	36.40%	

(* Includes energy from Solar Roof Top, Mani and Shimsha

Source	:	Energy	Amount in Crs
Solar Roof Top	:	9.38	5.60
Mani	:	3.61	0.63
Shimsha	:	2.93	0.41
Total	:	15.92	6.65

(**) Banked Energy



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Source	:	Energy	Amount in Crs
Mini Hydel	:	31.58	11.57
Wind	:	1.31	0.36
Solar	:	0.93	0.24
Total	:	33.82	12.18

Copy of the audited Accounts for FY23 is enclosed as **Annexure-2**.

4.5 Capital Expenditure incurred during FY23 is indicated below:

In Tariff Order 2022, in order to avoid front loading of interest on capital loan and depreciation, the Hon'ble Commission has reckoned the CAPEX of Rs.550.00 Cr in ARR of FY23 as against the proposed CAPEX of Rs.661.92 Crs. out of which MESCOM has incurred the CAPEX of Rs.464.86 Cr during FY 23.

The details of actual expenditure incurred during FY 23 are submitted in the table below;


(Rs.in Cr.)					
Sl. No.	Particulars	MESCOM Proposed in 6 th MYT	Exp. Relating to works sanctioned prior to FY 23	Exp. against the works sanctioned during FY 23	Total Exp.
1.	E & I Works (Addl. Transformers, Link-Lines, HT/ LT Re-conductoring HVDS, UG/AB cable)	250.00	72.84	91.54	164.38
2.	DTC Metering	13.65	0	0	0
3.	Replacement of MNR/DC Electromagnetic meters by static meters and SMART Metering	29.70	0.48	1.45	1.93
4.	Replacement of faulty Distribution Transformers	5.00	0.56	1.81	2.37
5.	Service Connection including promoter vanished layout works	60.00	21.84	46.40	68.24
6.	Rural Electrification (General)				
a).	Electrification of Hamlets	2.00	2.42	0	2.42
b).	Energisation of general IP Sets including Ganga Kalyana	65.00	52.61	46.56	99.17
c).	Electrification of BPL Households	0.25			
	Sub-Total	67.25	55.03	46.56	101.59
7.	Tribe Sub-Plan				
a).	Electrification of Tribal Colonies	0.50	0.02	0	0.02
b).	Energization of IP Sets	1.00	0.59	0.67	1.26
c).	Improvement works in Tribal colonies	1.00	0.17	0.85	1.02
	Sub-Total	2.50	0.78	1.52	2.30
8.	Special Component Plan				
d).	Electrification of S.C Colonies	1.00	0.06	0.22	0.28
e).	Energization of IP Sets	1.50	1.73	2.56	4.29
f).	Improvement works in S.C Colonies	15.0	0.55	0.98	1.53
	Sub-Total	4.00	2.34	3.76	6.10
9.	Tools & Plants & Computers	10.00	0.01	7.29	7.30
10.	Civil Engineering works	40.00	8.84	2.17	11.01
11.	IT infrastructure and Software, DSM	5.00	0	0	0
12.	33kV Station and Line Works (UG/ AB Cable)	30.00	16.36	2.70	19.06
13.	Solar Roof Top on Company buildings	1.00	0.17	0	0.17
14.	EV Charging Stations	0	0.008	0.08	0.088
	Total	518.10	25.39	12.24	37.63



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1.	Deen Dayal Upadaya Gram Jyothi Yojana (DDUGJY)	0	14.96	0	14.96
2.	IPDS: System improvement & Strengthening works in RAPDRP/ statutory towns (includes metering /Solar rooftop on Govt. Office)	0	0.89	0.35	1.24
3.	IPDS : Gas insulated substations	0	1.00	0	1.00
4.	IPDS (Integrated power Development Scheme) Phase II- IT)	7.00	-	-	-
5.	Providing Infrastructure to regularized UIP and general IP	16.72	-	-	-
6.	Improvement works for Model Electricity Village	33.93	3.57	3.35	6.92
7.	Improvement works for Model Sub-Division	86.17	56.20	0	56.20
Total		143.82	76.62	3.70	80.32
Grand Total		661.92	255.88	208.98	464.86

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