

ಕರ್ನಾಟಕ ವಿದ್ಯುಚ್ಛಕ್ತಿ
ನಿಯಂತ್ರಣ ಆಯೋಗ



KARNATAKA ELECTRICITY
REGULATORY COMMISSION

ಸಂಖ್ಯೆ : 16ಸಿ-1, ಮಿಲ್ಲರ್ ಟ್ಯಾಂಕ್ ಬೆಡ್ ವರಿಯ
ವಸಂತನಗರ, ಬೆಂಗಳೂರು-560 052

No. 16 C-1, Miller Tank Bed Area
Vasanthanagara, Bengaluru-560 052.

B/03/21 1179

Date: 10th December, 2021

The Managing Director
Mangalore Electricity Supply Company Ltd,
Corporate Office,
"MESCOM BHAVANA"
Bejai, Kavour Cross Road,
Mangaluru-575 004.

Sir,

Sub: Preliminary observation on MESCOM's application for approval of APR for
FY21 and ARR for FY23 to FY25.

Ref: Your letter No. SEE/(Coml.) DCA(RA)/EE/(RA)6TH MYT/2021-22/1353,
Dated: 30.11.2021.

Please refer to your letter cited above, wherein, MESCOM has submitted an
application for the approval of the Annual Performance Review (APR) for FY21
and ARR for the control period FY23 to FY25. I am directed to inform MESCOM
that after scrutiny of the application, the Commission has made certain
preliminary observations and the same are enclosed to this letter.

MESCOM is requested furnish clarifications/additional information/compliance
to these observations within ten days from the date of this letter to enable the
Commission to take further necessary action in the matter.

Yours faithfully

Rajat
Secretary

for Karnataka Electricity Regulatory Commission

MESCOM

Preliminary Observations on the Applications filed by the MESCOM for approval of APR for FY21 and ARR for FY23-FY25 & Retail Supply Tariff for FY23 under MYT Framework

A. Observations On Annual Performance Review for FY21:

1. Sales- Other than IP sets:

a. The category-wise sales approved by Commission and the actuals for FY 21 are indicated in the table below:

Category Col-1	Energy In MU		
	Approved** Energy in MU Col-2	Actuals** Energy in MU Col-3	Difference (MU) Col-4= Col 3 – Col 2
LT-1 greater than 40 units/month	12.08	18.91	6.83
LT-2a	1486.51	1529.78	43.27
LT-2b	14.24	8.05	-6.19
LT-3	408.52	349.98	-58.54
LT-4b	0.87	0.89	0.02
LT-4c	8.11	8.70	0.59
LT-5	133.95	123.75	-10.20
LT-6	131.10	144.80	13.70
LT-6	72.11	66.79	-5.32
LT-7	20.41	18.32	-2.09
HT-1	109.04	100.79	-8.25
HT-2a	685.91	550.54	-135.37
HT-2b	220.55	140.44	-80.11
HT-2c	159.93	89.81	-70.12
HT-3a & b	48.86	95.59	46.73
HT-4	23.60	20.73	-2.87
HT-5	2.16	2.29	0.13
Sub total	3537.95	3270.16	-267.79
BJ/KJ less than/= 40 units/month	37.29	35.00	-2.29

IP	1690.41	1685.25	-5.16
Sub total	1727.70	1720.25	-7.45
KPCL	2.88	6.57	3.69
Grand total**	5268.53	4996.98	271.55

****Excludes sales to SEZ.**

The Commission notes that the major categories contributing to the decrease in sales with respect to the estimates are LT-3, LT-5, HT-2a, HT-2b & HT-2c categories.

MESCOM in its filing has attributed the reduction in sales in the above categories to Covid -19 pandemic which is noted by the Commission. The Commission also notes that the sales in domestic category has increased probably due to work from home and use of gadgets owing to covid-19 lockdown.

2. Sales to IP sets for FY21:

a. The Commission, in the APR for FY20, vide its tariff order 2021 has approved the total sales to IP sets as 1,728.92 MU with a specific consumption of 5,156 units per IP set per annum for FY20. MESCOM, in its current filing has indicated the sales to IP sets as 1,685.25 MU for FY21 with a specific consumption of 4,772 units per IP set per annum. The Commission notes that there is a decrease in the specific consumption by 384 (5156-4772) units per IP set per annum for FY21 as compared to the approved sales for FY21. Also, there is a decrease in sales by 43.67 (1728.92 – 1685.25) MU during FY21 as compared to the sales for FY20. The reasons for this decrease in the specific consumption and sales for FY21 needs to be explained.

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b. The details of sales to IP sets for FY21 as approved by the Commission in its tariff order 2020 and the actual sales as furnished by MESCOM in its Tariff Filing for FY21 are as follows;

Particulars	As approved by the Commission in TO 2020	As submitted by MESCOM in the Tariff Filing 2021
Number of installations	3,61,245	3,61,885
Mid-year number of installations	3,52,481	3,53,184
Specific consumption in units / installation / annum	4,796	4,772
Sales in MU	1,690.41	1,685.25

c. MESCOM has to furnish the reasons for, decrease in specific consumption by 24 units / installation / annum and the decrease in sales by 5.16 MU when compared to the approved figures, though there is an increase in number of installations by 640 (361885 – 361245).

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d. The total number of pilot DTCs considered for assessing IP consumption of its area is different for different months i.e., 1,353 numbers in the month of October 2020 and 1,456 in the month of January 2021.

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e. As per the data furnished in the Tariff Filing by MESCOM, the specific consumption per IP set per annum for FY21, works out to 4,771.59 [(1685.25 / 353184)*1000]. Number of installations in D-2 Format 3,61,885, mid-year installations calculated is 3,53,184, sales 1,685.25. As per the specific consumption per annum calculated for FY21, the average specific consumption per month will be 397.63 units per IP set per month. Whereas, as per the calculation sheets for assessing the IP sales submitted by MESCOM, it is observed that the average specific consumption i.e., units per month is 1 unit / month in almost all the months which is very low, and as high as 5,797 units per IP set per month in the month of April 2020. MESCOM shall give reasons for such subnormal and abnormal average consumption being considered while assessing the total sales to IP sets.

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f. MESCOM shall furnish the data of GPS as on 31.03.2020 and 31.03.2021 by reconciling survey data with the number of installations as per the DCB.

g. The Commission has directed MESCOM to segregate the agricultural feeders and assess the sales to IP set installations based on the energy meter readings provided to such agricultural feeders. MESCOM has not yet

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furnished the status of bifurcation of agricultural feeders in its area and the action plan for completing the work.

Based on the above observations, MESCOM shall submit the IP assessed consumption for FY21, duly furnishing clarity on the data in the following format;

Particulars	FY-17		FY-18		FY-19		FY-20		FY-21	
	April 2016 to Sept 2016	Oct. to Mar 2017	April 2017 to Sept 2017	Oct. to Mar 2018	April 2018 to Sept 2018	Oct. to Mar 2019	April 2019 to Sept 2019	Oct. to Mar 2020	April 2020 to Sept 2020	Oct. to Mar 2021
LT4a – Installations (Nos)										
Midyear installations (Nos)										
LT4a – sales (MU)										
Specific consumption in units / IP/ annum										

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3. Observations on Capex for FY21:

1. In the Tariff Order dated 4th November, 2020, the Commission had recognized the expected capital expenditure of Rs.914.75 Crores for FY21. However, the Commission decided to reckon Rs.667.77 Crores for the purpose of determination of revised ARR and retail supply tariff for FY21 and also directed MESCOM to carry out the capital works without seeking any additional Capex during the middle of the year by making suitable re-appropriation within the capex amount approved by the Commission. It was made clear that for any capex incurred without approval of the Commission, the corresponding interest on loans and depreciation will not be considered for the ARR of the respective years.
2. MESCOM, in its filing has indicated a capital expenditure of Rs.402.83 Crores in Table, on Page No.60 & 61, whereas in format D17, the Capital expenditure is shown as Rs.445.93 Crores. The MESCOM shall indicate the

capex incurred for FY21 correctly vis-à-vis the Commission approved capex. In view of the inconsistency in furnishing the details, MESCOM shall furnish the details of actual capex incurred for FY21 as per **Annexure-1**, besides furnishing the following details:

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a. Details of sources of funding (like grants, debt, equity and internal sources) besides loans raised to meet the capex towards the capex incurred during the FY21, against each of the category of works.

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b. Division-wise abstract of capacity wise replacement of faulty transformers by new transformers with reasons for having incurred amount of Rs.1.77 Crores.

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c. Under Model sub division works for FY21, furnish an abstract of number of works sanctioned, Completed, balance number of works to be taken up, details source of funding for capex incurred for Rs.5.69 Crores.

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d. List of works carried out under 33KV station and line works for having incurred amount of Rs.15.45 Crores.

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e. Division-wise abstract of number of IP sets energized and cost thereon, under GK scheme and regularized under UNIP scheme for having incurred capex of Rs.47.69 Crores and Rs.42.35 Crores respectively.

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4. MESCOM: Observations on Power Purchase -APR for FY21

1. A separate statement showing the variable cost in the ascending order from different sources of power shall be attached. Any deviation from the merit order scheduling may be explained fully.
2. The Actual consumption through Renewable Energy has increased when compared to the approved energy which shows lack of proper

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forecasting of generation from renewable energy. Reasons for this need to be furnished.

FBC

3. The PGCIL Charges have increased by around 12%. The reasons for the same need to be explained.

FBC

4. The MESCOM has indicated Energy balancing in respect of Hydel Energy and Energy balancing other than hydel Energy in D1-Format. The basis for payment of this amount needs to be furnished besides submitting a reconciliation statement for the energy balancing among the ESCOMs.

FBC

5. The per unit cost recovered from IEX Sale is Rs 3.33. MESCOM shall explain how the energy of 131.25 MU sold through IEX at RS 3.33 per unit will earn profit to MESCOM taking into consideration the merit order dispatch.

FBC

6. The MESCOM has considered Rs. 30.77 Crores towards other Charges. The details for the payment of this amount need to be furnished.

FBC

7. The MESCOM shall explain the reasons for paying high average cost per unit for the following generating station/schemes:

a) BTPS Unit-1

b) NTPC Vallur

c) Kudgi

d) UPCL

e) NTPC VVNL Bundle Power Solar

FBC

8. MESCOM has indicated in the D-1 statement the UI charges of Rs. 5.53 Crores. The details for this needs to be furnished.

5. Other Debits:

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MESCOM in its filing, as per Format-D-11 has claimed Rs.6.55 toward Other Debits for FY21, as per the audited accounts. MESCOM shall submit the details for Rs.6.0541 Crores included under Other debits for FY21.

B. Observations on ARR for Control Period FY23-25:

1. Category-wise sales Other than IP sets for FY23-25:

MESCOM has adopted the following methodology for making estimates of Number of installations and Energy Sales:

- a. Number of installations has been projected based on trend analysis.
- b. Energy sales is estimated based on either 3-year CAGR or 5-year CAGR.
- c. Wherever the growth is negative, the estimates have been suitably modified.

i. The observations of the Commission on sales forecast for FY23-25 are as follows:

i) Methodology:

- a. In estimating number of installations for BJ/KJ, whether trend is applied individually for installations consuming less than or equal to 40 units/month and those consuming more than 40 units/ month? If not, it may be clarified as to how apportionment is done between installations consuming less than or equal to 40 units/month and those consuming more than 40 units/ month.
- b. Though the estimate based on CAGR is higher, it is generally observed that for estimating the number of installations trend method is adopted. It would be advisable to estimate on the higher side, while making perspective plans.
- c. Working sheets for computation of sales/installations using CAGR method shall be furnished.

- d. While computing CAGR in certain cases the data for FY20 & FY21 is considered. Since sales for FY20 & FY21 were affected by Covid-19, suitable corrections may be applied.
- e. In certain categories like HT-2b, HT-2c etc. though the Year on Year growth rate is considered for estimation, it is indicated as CAGR.
- ii) In case of LT-5 category though there is increase in number of installations, the sales are retained at 123.74 MU for all the years of control period. Considering the addition of new installations, there should be some increase in sales. MESCOM shall clarify.
- iii) The number of HT-2a installations is indicated as 993 in D-2 Format for FY21, but the same is indicated as 994 at Page No.104. Similar discrepancy is observed for FY22 to FY25. Data shall be reconciled.
- iv) The table indicating the growth rates for the number of installations is furnished below:

Category	Percentage Growth Rates					
	2015-16 to 2020-21 CAGR	2017-18 to 2020-21 CAGR	FY21 growth over FY20	Growth rate proposed by MESCOM for FY23	Growth rate proposed by MESCOM for FY24	Growth rate proposed by MESCOM for FY25
LT-2a	2.96%	2.97%	4.44%	2.21%	2.34%	2.17%
LT-2b	2.55%	1.67%	-45.83%	1.41%	1.55%	1.24%
LT-3	3.72%	3.71%	-11.13%	3.38%	3.19%	3.07%
LT-5	3.92%	4.05%	-9.59%	3.56%	3.86%	3.61%
LT-6 WS	5.92%	4.25%	9.72%	3.51%	4.20%	3.92%
LT-6 SL	9.01%	8.41%	0.48%	7.60%	7.19%	5.15%
HT-1	9.18%	6.56%	5.31%	5.47%	5.93%	5.59%
HT-2 (a)	6.49%	6.29%	-13.33%	5.42%	4.69%	4.57%
HT-2 (b)	6.91%	5.16%	-31.73%	4.27%	4.54%	4.23%
HT-2 (c)	5.26%	5.25%	-35.79%	5.34%	4.23%	4.59%
HT-3(a) & (b)	7.21%	6.69%	37.18%	0.00%	0.00%	0.00%
HT-4	7.81%	6.80%	-4.91%	5.88%	6.94%	5.19%

The Commission notes that the growth rate considered by MESCOM is lower for all the above categories, as compared with the CAGR. Hence, MESCOM may consider revising the same.

v) The table indicating the growth rates for the energy sales is furnished below:

Category	Percentage Growth Rates					
	2015-16 to 2020-21 CAGR	2017-18 to 2020-21 CAGR	FY20 growth over FY19	Growth rate proposed by MESCOM for FY23	Growth rate proposed by MESCOM for FY24	Growth rate proposed by MESCOM for FY25
LT-2a	3.88%	4.55%	7.54%	3.90%	3.91%	3.91%
LT-2b	-10.06%	-16.42%	9.10%	5.64%	5.67%	5.68%
LT-3	1.19%	-1.18%	6.35%	3.42%	3.42%	3.42%
LT-5	-1.79%	-3.31%	2.20%	0.00%	0.00%	0.00%
LT-6 WS	5.28%	6.81%	7.28%	3.99%	3.86%	4.06%
LT-6 SL	0.87%	-0.62%	-4.80%	0.86%	0.87%	0.86%
HT-1	3.46%	3.64%	-2.15%	3.64%	3.64%	3.64%
HT-2 (a)	-1.26%	-2.62%	1.67%	1.67%	1.67%	1.67%
HT-2 (b)	-4.85%	-10.08%	2.64%	2.64%	2.64%	2.64%
HT-2 (c)	-10.35%	-13.15%	-3.26%	5.47%	5.47%	5.47%
HT-3(a) & (b)	61.88%	59.40%	69.13%	0.00%	0.00%	0.00%
HT-4	4.17%	2.79%	6.76%	2.77%	2.78%	2.80%

The Commission notes that the CAGR as well as growth rate FY21 for energy sales in most of the categories is negative, due to reduction in sales during FY21 on account of Covid-19. Thus, comparing with FY20 growth rate, the Commission observations are as follows:

- a. Growth rate is lower for LT-2a, LT-2b, LT-5, LT-6 WS & HT-3 and
- b. Growth rate is higher for LT-6 SL, HT-1 & HT-2c.

2. Sales to IP sets for FY23-25:

1. Projected sales to IP Sets for the FY23 to FY25:

- i. As per the data submitted by MESCOM, it is observed that, MESCOM has not considered the Commission approved sales figures while making projection of sales for FY23 to FY25.
- ii. MESCOM is submitting that, it has considered trend method as appropriate for projecting the number of installations for FY23 to FY25. While submitting, it has not submitted the details of calculations involved in the said method.
- iii. While estimating the sales to IP sets for FY23 to FY25, MESCOM is informing that, MESCOM has compared the trend, CAGR and specific consumption-based methods for comparison and furnished the details of specific consumption-based method only. It is observed that, though there is an increasing and decreasing trend of sales every alternate year, while projecting the sales for FY23 to FY25, MESCOM has shown only increasing trend of sales. MESCOM is directed to furnish the step wise details of how the values are arrived.
- iv. **The MESCOM, in its tariff application for the control period FY23 to FY25 has not furnished the consumption by IP sets for the period April to September 2021 without furnishing the month-wise break-up, as per the prescribed formats, in support of its claim. If the data for the said period is not submitted, the Commission will not accept the assessment of consumption for FY23 to FY25 as is submitted by MESCOM.**
- v. MESCOM while making projections for FY23 to FY25, has considered the specific consumption arrived on the data of actual sales submitted, instead of considering the Commission approved sales. MESCOM has to resubmit the sales projection based on the specific consumption arrived on the basis of Commission approved sales and on the basis of the observations made above.
- vi. MESCOM while submitting compliance to the directives of the Commission is informing that out of 124 feeders targeted for separation of agricultural

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load, has commissioned 117 feeders independently and 7 feeders combining on other feeders. MESCOM is to furnish the details of the feeders commissioned month wise and why action is not taken to assess the sales to IP sets based on the energy meter readings provided to segregated agricultural feeders. In the previous years' Tariff Filing, MESCOM had informed that 78 numbers of such segregated agricultural feeders were commissioned.

3. Validation of Sales:

To validate the sales, category-wise information in the following format shall be furnished:

a. No. of Installations

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Category	2019-20 Actuals		2020-21 Actuals		2021-22	
	As on 30 th Nov 2019	As on 31 st March 2020	As on 30 th Nov 2020	As on 31 st March 2021	As on 30 th Nov 2021	As on 31 st March 2022 (Estimate)
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6						
LT-6						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)& (b)						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP)						
BJ/KJ<=40units/month						
BJ/kj > 40 units/month.						
IP sets-LT-4a						
Sub Total (BJ/KJ and IP)						

Grand Total						
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b. Energy Sales:

Category	2019-20 Actuals		2020-21 Actuals		2021-22	
	1st April 2019 to 30th Nov 2019 (cumulative)	1st Dec 2019 to 31st March 2020 (cumulative)	1st April 2020 to 30th Nov 2020(cumulative)	1st Dec 2020 to 31st March 2021 (cumulative)	1st April 2021 to 30th Nov 2021 (cumulative actuals)	1st Dec 2021 to 31st March 2022 (cumulative Estimate)
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6						
LT-6						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a) & (b)						
HT-4						
HT-5						
Sub Total (Other than BJ/KJ and IP)						
BJ/KJ<=40units /month						
BJ/kJ > 40 units/month						
IP sets LT 4a						
Sub Total (BJ/KJ and IP)						
Grand Total						

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Section

C. Sales to MSEZ:

Sales to MSEZ as considered by MESCOM and MSEZ are as follows:

	In Million Units				
	FY21	FY22	FY23	FY24	FY24
MESCOM	60.98	43.75	43.75	43.75	43.75
MSEZ (Purchase from MESCOM)	60.98	46.21	42.50	43.15	43.56

MESCOM shall reconcile the above data and furnish the correct figures.

4. Distribution Loss for FY23-FY25:

MESCOM, in its application, has projected the distribution losses of 9.84%, 9.82%, 9.80% and 9.78% for FY22 to FY25, a meager reduction of 0.02% in each year. Compared with the actual distribution loss achieved by MESCOM during the previous years and the amount of capex already invested and also proposed to be incurred during the control period- FY23 to FY25, the projected distribution losses with a year on year reduction of mere 0.02% is not desirable and acceptable. The Commission notes that, to achieve this level of proposed distribution losses the requirement of investment as proposed by MESCOM with various capital works schemes, may not be required. To justify the investment, MESCOM shall re-visit the loss reduction targets and submit revised projected distribution losses for FY23 to FY25.

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5. Wheeling Charges & Banking of Energy for FY23:

MESCOM has proposed wheeling charges of 50 paise/unit and 117 paise/unit for HT network and LT network, respectively. Further it is stated that proposed technical losses of 3.68% at HT level and 6.09% at LT level are applicable. Regarding Wheeling charges for RE sources, it is stated by MESCOM that the wheeling transactions of RE sources are increasing year-on-year and therefore MESCOM has requested to apply all the relevant charges as are applicable to the OA / wheeling transactions of other than RE sources. In this regard, it is also submitted by MESCOM that the transmission & distribution network

maintenance charges are increasing year-on-year and that the increased transactions under wheeling & banking arrangements are impacting the tariff charges of the LT categories considerably.

Further on banking, MESCOM has submitted that, it is concurrence with the order dated 09.01.2018 reducing the banking period from one year to six months and that energy banked during the peak TOD hours only can be drawn during peak hours and not otherwise.

Further on levying of Cross Subsidy Surcharge and Additional Surcharge for RE sources, it is requested to continue to levy the same as determined by the Commission from time to time.

As far as wheeling charges and banking facility for RE sources is concerned, the Commission notes that the matter of banking is pending before the Hon'ble Supreme court of India and wheeling charges before the Hon'ble High Court of Karnataka. The Commission in the interim has continued the existing wheeling charges and banking facility, which is subject to the decision of the Hon'ble Courts mentioned supra.

6. Capital Investment Plan for FY23-FY25:

1. MESCOM has proposed the Capex of Rs.661.92 Crores, Rs.506.42 Crores and Rs.509.69 Crores for FY23, FY24 and FY25 respectively for the control period, under MYT regime. The total capex proposed for the control period is Rs. 1678.03 Crores:
2. MESCOM shall provide necessary justification on each of the following works in terms of its purpose, requirement, physical progress, cost and timelines of completion along with Division-wise abstract of works, no. of works proposed to be taken in each of the year for the Control Period:
 - i. E & I work (Addl. Transformers, Link-Lines, HT/LT Reconductoring, HVDS, UG/AB cable) for the proposed capex of Rs.750 Crores (250.00 Crores each) for the three-year control period.

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- ii. Replacement of MNR / DC, Electromagnetic meters by static meters and smart metering for the proposed capex of Rs.29.70 Crores, Rs.32.67 Crores and Rs.35.94 Crores for FY23, FY24 and FY25 respectively.
 - iii. DTC metering for proposed capex of Rs. 13.65 Crores for FY23.
 - iv. List of works to be carried out under 33 KV stations and line works for Rs.90.00 Crores for the three-year control period.
 - v. UNIP for proposed capex of Rs. 16.72 Crores for FY23,
 - vi. model village for proposed capex of Rs. 33.93 Crores for FY23.
 - vii. List of works to be carried out under model sub division for the proposed capex of Rs.86.17 Crores for FY23.
 - viii. civil engineering works for the proposed capex of Rs.40.00 Crores each for the three-year control period.
3. MESCOM shall furnish the details of sources of funding (like grants, debt, equity and internal sources) for the proposed capex.
 4. MESCOM shall furnish the tariff impact on consumers for the proposed capex to be met from borrowing.

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7. Power Purchases for FY23 – FY25:

1. MESCOM has furnished the estimates to project the quantum of energy for the control period FY23 to FY 25 is as detailed below:

Particulars	FY21 (actuals)	FY22(Revised Projections)	FY23 (Projections)	FY24 (Projections)	FY25 (Projections)
Sales(MU)	5057.96	5228.77	5422.85	5619.84	5819.56
Distribution loss in %	9.86	9.84	9.82	9.80	9.78
Energy Requirement at IF point(MU)	5611.33	5799.43	6013.36	6230.42	6450.41
Transmission loss in %	-	2.978	2.978	2.978	2.978
Energy requirement at Generation point (MU)	5863.54	5977.44	6197.93	6421.66	6648.40

MESCOM shall furnish the reasons for indicating the same transmission loss of 2.978% from FY22 to FY25.

2. MESCOM has not furnished its basis for preparing the D-1 statement to show as to how MESCOM has arrived the energy and cost for the year FY23 to 25.

BBC

3. In respect of Renewable Energy (RE), month-wise break up of source-wise capacity and energy shall be furnished. This is essential to analyze the month-wise variations of requirement of energy and availability from different sources.

BBC

4. MESCOM, in its projection has not shown any sale of energy. The plan for sale of surplus energy, if any, may please be furnished.

BBC

5. MESCOM may furnish the detailed analysis for projecting variable cost source-wise for KPCL thermal, UPCL and CGS duly comparing the same with previous 3 years.

8. Balances under Gross Fixed Assets:

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MESCOM, in its filing as per Format D-15, has projected the opening and closing balance of GFA for FY21 to FY25. MESCOM shall submit the bifurcated figures of GFA created out of consumer's contribution & grants and from internal resources & borrowings at the end of FY20 and FY21 and also the amount included in the projected closing balances of GFA for FY23 to FY25 to verify the compliance of the directive in terms of Hon'ble ATE Order in OP 46/2014.

9. Depreciation for FY21 and for the Control Period:

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MESCOM, as per Format D-8 has indicated Rs.193.14 Crores as depreciation for FY21, as against Rs.244.34 Crores accounted as per Audited Accounts for FY21. MESCOM in its audited accounts for FY21, under Note 37.1.4 (a) has indicated that the depreciation for the year 2020-21 in respect of assets created out of government grants and consumer contributions up to 31.03.2016, is Rs.25.3750 Crores, which is reduced from the total depreciation chargeable on fixed assets,

CFO
Section

besides claiming Rs. 36.1488 Crores towards grants and consumer contributions relating to PPE apportioned for the year. MESCOM shall submit the asset-wise total Gross Fixed Assets, gross depreciation charged on the assets, depreciation on the assets created out of consumer contributions and grants up to 31.03.2016 and depreciation charged from 01.04.2016 onwards on such assets for FY21 and for the projection made for FY22 to FY25. MESCOM shall submit the details of assets created out of consumers' contributions and grants for having claimed the depreciation on such assets for FY21 to FY25 (OB, CB of GFA and depreciation rate and amount of depreciation thereon).

10. Interest on Working Capital:

MESCOM in its application, while projecting the interest on working capital has considered interest at the rate of 11.00% for FY22 to FY25. MESCOM, by considering the GoI circular issued to reduce the interest burden and also the trend of variation in the rate of interest in last 2 years, has to consider reduction in the interest rates being considered in projecting the interest on working capital and submit the revised estimated interest on working capital for FY21 to FY25.

11. Terminal benefits:

CFO
Section

MESCOM in its filing of APR for FY21 and ARR has for FY23 to FY25, has projected Rs.116.92 Crores, Rs.127.55 Crores, Rs.139.14 Crores Rs.155.79 Crores and Rs.165.59 Crores respectively towards Terminal Benefits for FY21 and for FY22 to FY25. MESCOM shall furnish the basis and the computation details for having claimed the amount in respect of employees recruited prior to 31.03.2002 and those employees covered under NDCPS scheme separately.

12. Interest on consumer security deposit:

CFO
Section

MESCOM while claiming the interest on consumer security deposit has considered the interest rates of 6.50% for FY22 to FY25 which is contrary to the Regulations issued by the Commission. MESCOM shall re-compute and submit the revised amount of interest on consumer security deposit, duly considering the applicable Bank Rate as per the provisions of the Regulations, for FY23 to FY25.

13. Sanctioned Load of Installations:

CFO
Section

MESCOM, as per Format D-21 and D-21(a) has considered the total sanctioned load under each slab in each of the tariff category. MESCOM shall submit the total sanctioned load under each slab of tariff category as on 30th September 2021, along with details of slab-wise consumption, to estimate the revenue at both existing and proposed tariff slab rates.

14. Levy of Fixed / Demand Charges on the basis of slab-wise sanctioned load.

BESCOM has proposed to levy Fixed / demand charges on the basis of slab-wise sanctioned load. MESCOM shall submit its opinion on the proposal. MESCOM shall submit the following details certified by the senior officers of the company on the basis of the data available in the computerized billing system, by considering the existing consumers as on 30th September 2021.

CFO
Section

Consumer categories with sanctioned Load	No.of Consumers	Total Sanctioned Load	Sanctioned Load/consumers
LT2(a) up to 1 KW Above 1KW up to 5 KW Above 5 KW up to 25 KW Above 25 KW up to 50 KW Above 50 KW			
LT2(b) Up to 1 KW Above 1 KW to 10 KW Above 10 KW to 50 KW Above 50 KW			
LT3 Up to 1 KW Above 1 KW to 10 KW Above 10 KW to 50 KW Above 50 KW			
HT2 (Separately for (a) (b) (c) Up to 200 KVA Above 200 KVA to 1000 KVA Above 1000 KVA			
HT2(a) Consumption up to 2 lakhs Above 2 lakhs			

15. Observations on Directives of MESCOM:

Directive No	Directives Issued by the Commission	Observation made
1	Consumer interaction meeting at Subdivision level.	<p>MESCOM is not furnishing the details every quarter in the format prescribed by the Commission in previous Tariff Orders. From the data furnished, it is observed that neither the Superintending Engineer (EI), O&M Circle Shivamogga nor the Executive Engineer (EI), O&M Division, Shivamogga and Bhadravathi have chaired the only CIM conducted during the 4th Quarter of FY21.</p> <p>MESCOM shall furnish the suitable reasons for conducting CIMs not chaired by either the jurisdictional SE(EI) or the EE(E)s as per the directives of the Commission.</p>
3	Directive on Energy Conservation <i>Teek Section</i>	<p>The MESCOM has not submitted the compliance regularly on the above directive.</p> <p>MESCOM has not furnished in detail the implementation of the directive on energy conservation in its offices giving the number of offices covered, energy saved etc. It has not informed on the action taken for promoting energy conservation by the use of Energy Efficient(EE) appliances among the general public and action taken while servicing the installations with EE appliances, especially street lights.</p> <p>The MESCOM shall submit the compliance as per the directions thereon.</p>
4	Directive on implementation of Standards of Performance (SoP)	<p>The MESCOM was directed to carry out effective supervision over the functioning of field offices particularly in rendering of services to the consumers, relating to restoration of supply of electricity and to submit the details of number of violations of SoP by officers, sub-division wise, month wise, amount of penalty levied on the officers and the amount paid to the consumers for any delay in service. MESCOM shall furnish the details on these.</p> <p>MESCOM was directed to conduct awareness campaign at the Hobli levels for educating the public about the Standards of Performance prescribed by the Commission. MESCOM was required to conduct necessary orientation programme for all the field officers and the staff up to linemen to educate them on the SoP and the consequences of non - adherence to the SoP.</p> <p>MESCOM has not reported anything on the conduct of awareness campaigns in the Hobli levels for educating consumers. MESCOM shall submit the compliance.</p>
5	Directive on use of safety gear by linemen	<p>MESCOM is not submitting the quarterly compliance report to the Commission on this aspect.</p> <p>The MESCOM has submitted that it has provided safety gear to all Power men. MESCOM shall submit the details indicating the</p>

Directive No	Directives Issued by the Commission	Observation made
		number of linemen, both appointed on regular basis and on contract basis, who are provided with complete set of safety gear and the definite timeline by which all the remaining linemen will be provided with the complete set of safety gear including the additional tools if any proposed to be given. Details of the action taken on erring staff also be furnished.
6	Directive on providing Timer Switches to Street lights by ESCOMs	<p>MESCOM has not furnished in detail the statistics of, number of Street Light installations existing as at the beginning of the year, serviced during the year, Street Light installations provided with timer switches etc.,</p> <p>MESCOM shall also furnish the details on the action take / circulars issued towards servicing new street light points with timer switches.</p> <p>MESCOM has not submitted the compliance as to whether LED / energy efficient lamps are being used and timer switches are provided while servicing of new streetlight installations.</p> <p>MESCOM shall submit the compliance thereon.</p>
7	Directive on Load shedding <i>Tech Section</i>	It is observed that MESCOM has not taken action to update the entire consumer data on the application software used for public information system on power system interruption etc., The MESCOM shall submit compliance in this regard.
8	Directive on establishing a 24X7 fully equipped centralized consumer service centers	<p>MESCOM was directed to reduce the consumer downtime to address the complaints. MESCOM is directed to report average time taken to attend to a complaint as at present and the efforts made to reduce the downtime further in future.</p> <p>The MESCOM shall furnish compliance in this regard. Comparison of the downtime analysis for FY20 and FY21 shall be furnished.</p>
9	Directives on Energy Audit <i>Tech Section</i>	<p><u>Energy Audit of cities / towns</u></p> <p>MESCOM shall indicate the definite timeline by which it will complete the consumer indexing for taking up energy auditing effectively.</p> <p>MESCOM shall furnish the comparative statement of losses recorded in Towns & Cities for the FY21 as against the FY20.</p> <p><u>DTCs Energy Audit:</u></p> <p>The MESCOM has furnished the details of energy audit conducted in respect of 20,000 DTCs only, out of 46,868 DTCs for which meters are said to have been fixed. MESCOM shall furnish remedial measures initiated to reduce losses in those DTCs and the timeline by which all the balance DTCs will be metered and audited.</p> <p>It has come to the notice of the Commission that, MESCOM has taken initiative and invested huge capital on remote reading of energy meters provided to various DTCs for achieving efficient energy auditing. MESCOM shall furnish the</p>

Directive No	Directives Issued by the Commission	Observation made
		<p>details on the number of meters provided to DTCs to have AMI in place by the earlier agencies, % of communication achieved, % age energy audit conducted with the AMI fetched readings etc.,</p> <p>The MESCOM is directed to comply with the directives issued by the Commission in all the previous Tariff Orders, in respect of energy audit of DTCs.</p> <p>MESCOM shall also indicate the definite timeline by which it will complete the consumer indexing for taking up energy auditing effectively.</p>
10	<p>Implementation of NJY</p> <p><i>Projects Section</i></p>	<p>MESCOM has informed that the 117 feeders of 124 feeders envisaged for segregating agricultural feeders are commissioned as on October, 2021 and the remaining 7 feeders are commissioned on the existing feeders. MESCOM has to furnish the details of commissioning the segregated agricultural feeders and the action taken to assess the consumption of IP set installations based on the consumption recorded in the energy meters provided to segregated feeders by MESCOM.</p>
13	<p>Directive on Implementation of Financial Management Framework</p> <p><i>CFO Section.</i></p>	<p>MESCOM has to submit the compliance in respect of implementation of Financial Management Framework, on quarterly basis regularly to the Commission.</p> <p>MESCOM shall furnish the action taken to collect huge arrears in respect of the O&M Divisions, where the CB ration is high including the arrears from the Government installations.</p>
14	Prevention of Electrical Accidents	<p>MESCOM has to furnish the action plan for rectification of balance hazardous locations / installations identified in its distribution network.</p> <p>MESCOM has to furnish the summary of the analysis made on the reports submitted by Electrical Inspectorate for FY21 and FY22 up to September 2021 and the action taken to prevent such accidents in future.</p> <p>MESCOM shall furnish the compliance periodically as per the directives.</p>

Annexure-1

Break up of actual capital expenditure.

Sl. No.	Particular of the works under Major/ Minor heads	Commission approved Capex in Rs. Crores	Expenditure incurred for FY21 in Rs. Crores	Total Number of works	Expenditure pertains to spill over works in Rs. Crores	Number of Spill over works	Expenditure pertains to Fresh/New works in Rs. Crores	Number of Fresh/New works	Remarks for exceeding /underutilization of capex
A.	Regular works								
1.	Extension & Improvement (E&I) works (Additional Transformers, Link-Lines, HT/LT Re-conductoring, HVDS , UG/AB Cable etc.)								
2.	DTC metering								
3.	Replacement of Electromechanical meters by Static meters								
4.	Replacement of faulty Distribution Transformers								
5.	Service Connection								
6.	<u>Rural Electrification (General)</u>								
a.	Electrification of Hamlets								
b.	Energisation of IP sets under general, Ganga Kalyana schemes etc								
c.	Electrification of BPL Households								
	Sub- Total								
7.	<u>Tribal Sub-Plan</u>								
a.	Electrification of Tribal Colonies								
b.	Energisation of IP sets								
c.	other improvement works								
	Sub- Total								
8.	<u>Special Component Plan</u>								
a.	Electrification of S.C Colonies								
b.	Energisation of IP sets								
c.	other improvement works								
	Sub- Total								

Tech/
CFO
Section.

9.	Tools & Plants & Computers								
10.	Civil Engineering Works								
11.	33 KV Station and Line Works								
12.	Solar Roof top on Company Buildings								
	Total-A:								
B.	<u>Gol/GoK Scheme works</u>								
1.	Deen Dayal Upadaya Grama Jyoti Yojana (DDUGJY)								
2.	IPDS: System improvement & Strengthening works in R-APDRP / statutory towns								
3.	IPDS: Gas insulated substations								
4.	IPDS (Integrated Power Development Scheme) Phase II-IT								
5.	Providing Infrastructure to regularized UIP and general IP sets - Phase-III								
6.	Improvement works for Model Electricity Village								
7.	Improvement works for Model Sub-division								
8.	Saubhagya								
	Total-B:								
	GRAND TOTAL:								