

**Mangalore Electricity Supply Company Limited**  
(A Government of Karnataka Undertaking)



**Registered Office:**  
Corporate Office,  
"MESCOM BHAVANA",  
Bejai, Kavour Cross Road,  
Mangaluru- 575 004.

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CIN: U40109KA2002SGC030425

No.: SEE(C&RP)/Tariff Petition FY-24 /2022-23/ 1766

Date: 23-12-2022

Encl.:

**The Secretary,**  
**Karnataka Electricity Regulatory Commission,**  
**#16C-1, Miller Tank Bed Area,**  
**Vasanthnagar,**  
**Bengaluru-560 052.**

Madam,

Sub.: Application for approval of Annual Performance Review for FY22 and Annual Revenue Requirement and retail Supply Tariff for FY24 – Replies to preliminary observations.

Ref.: KERC Letter No. B/03/22/1964/Dt.13-12-2022.

I am directed to submit herewith the replies to the preliminary observations communicated vide Hon'ble Commissions' letter cited under reference for kind needful.

Yours faithfully,

  
Superintending Engineer (Ele.), Commercial,  
MESCOM, Corporate Office,  
Mangaluru.

**BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION**  
**AT BANGALORE**

Filing No.: . . . . .

Case No.: . . . . .

IN THE MATTER OF: An application for approval of Annual Performance Review for FY22 and Annual Revenue Requirement and Retail Supply Tariff for FY24 of Mangalore Electricity Supply Company Limited under Section 61 & 62 of the Electricity Act, 2003 read with relevant provisions of KERC (Tariff) Regulations including KERC (Terms & Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006.

**AND**

IN THE MATTER OF: Mangalore Electricity Supply Company Limited (herein after referred to as MESCOM), an Electricity Distribution Company incorporated under the provisions of the Companies Act, 1956 and having its Registered Office at "MESCOM BHAVANA", Bejai, Kavoor Cross Road, Mangaluru-575 004.

I, Dinesh H.R. S/o H.M. Ramalinga Shetty, aged 52 years residing at Mangaluru do hereby solemnly affirm and state as follows;

1. I am the Superintending Engineer (Ele.) Commercial of MESCOM and am duly authorized to make this affidavit.
2. I say that on behalf of MESCOM, I am now filing this replies to the preliminary observations of Hon'ble KERC relating to the petition filed under the provisions of Electricity Act, 2003 for approval of Annual Performance Review for FY22, ARR and retail Supply Tariff for FY24.
3. I further say that the statements made and financial data presented in the aforesaid Petition are as per the records of the Company and on the information received from the concerned officials and believed to be true to the best of my knowledge.
4. Solemnly affirmed at Mangaluru on this day 23-12-2022 that the contents of the above affidavit are true to the best of my knowledge and belief, no material information has been concealed there from.

Place: Mangaluru  
Date: 23-12-2022

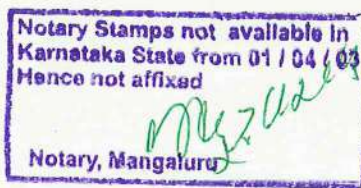
  
(Dinesh H.R)

Superintending Engineer (Ele.) (Coml.),  
MESCOM, Corporate Office,  
Mangaluru.

Sworn and Signed before me this  
23.12 day of Dec. 2022  
at Mangalore



**A.I. KAREEM** B.A. LL.B.,  
ADVOCATE & NOTARY  
#20-7-435/12, ManStee Complex  
Near State Bank of India  
MANGALORE 575 001  
Notary for D.K. District  
Govt. of India  
NOTARIAL REGN. No. 1718/2022



## MESCOM

Preliminary Observations on the Applications filed by the MESCOM for approval of APR for FY22 and ARR for FY24 Retail Supply Tariff for FY24 under MYT Framework.

1. Sales- Other than IP sets:

i) Annual Performance Review for FY22:

The category-wise sales approved by Commission and the actuals for FY22 are indicated in the table below:

Category Col-1	Approved** Energy in MU Col-2	Energy In MU	
		Actuals** Energy in MU Col-3	Difference (MU) Col-4= Col 3 – Col 2
LT-1 greater than 40 units/month	24.79	17.99	-6.8
LT-2a	1610.46	1560.99	-49.47
LT-2b	15.42	11.12	-4.30
LT-3	420.28	382.03	-38.25
LT-4b	0.88	0.64	-0.24
LT-4c	9.74	6.75	-2.99
LT-5	138.16	134.60	-3.56
LT-6	147.28	151.62	4.34
LT-6	77.29	69.92	-7.37
LT-7	20.01	21.90	1.89
HT-1	102.89	107.74	4.85
HT-2a	689.55	711.32	21.77
HT-2b	221.01	166.84	-54.17
HT-2c	157.71	106.61	-51.10
HT-3a & b	88.90	90.78	1.88
HT-4	22.55	22.87	0.32
HT-5	3.83	2.75	-1.08
Sub total	3750.75	3566.47	-184.28
BJ/KJ less than/= 40 units/month	32.12	35.28	3.16
IP	1892.09	1492.01	-400.08
Sub total	1924.21	1527.29	-396.92
KPCL	2.74	6.81	4.07
Grand total**	5677.70	5100.57	-577.13

\*\*Excludes sale to SEZ.

The Commission notes that the major categories contributing to the decrease in sales with respect to the Approved sales are LT-2a, LT-3, LT-4a, HT-2b & HT-2c categories. The increase in sales is mainly in HT-2a category.

MESCOM, in its filing has submitted that in respect of HT-2b and HT-2c category, there is normal increase of 43MU with respect to FY21 actuals and with respect to approved sales for FY22, it is less by 105 MU.

**MESCOM shall analyze the reason for decrease in sales of LT-2a LT-3, LT-4a, HT-2b & HT-2c categories and the possible reason for increase in sales to HT-2a category. In HT-2a category, MESCOM shall analyze the impact of incentive schemes and furnish the factual position so as to enable the Commission to take a view for continuation of the schemes.**

Further, specific consumption of LT-2a category for FY22 works out to 78.22 units/installation/month, whereas the same for BJ/KJ installations consuming more than 40 units/month is 82.94 units/installation/month, which appears to be on a higher side. MESCOM shall furnish the reasons for such high specific consumption in respect of BJ/KJ installations, consuming more than 40 units/month.

**2. Sales to IP sets for FY22:**

- a. The Commission, in the APR for FY21, vide its tariff order 2022 has approved the total sales to IP sets as 1,685.25 MU with a specific consumption of 4,771.59 units per IP set per annum for FY21. MESCOM, in its current filing has indicated the sales to IP sets as 1,492.01 MU for FY22 with a specific consumption of 4,030 units per IP set per annum. The Commission notes that there is a decrease in the specific consumption by 741.59 units per IP set per annum for FY22 as compared to the approved sales for FY22. Also, there is a decrease in sales by 193.24 MU during FY22 as compared to the sales for FY21. The reasons for this decrease in the specific consumption and sales for FY22 needs to be explained.

b. The details of sales to IP sets for FY22 as approved by the Commission in its tariff order 2021 and the actual sales as furnished by MESCOM in its current Tariff Filing are as follows:

Particulars	As approved by the Commission in TO 2021	As submitted by MESCOM in the current Tariff Filing
Number of installations	3,74,482	3,78,493
Mid-year number of installations	3,66,982	3,70,226
Specific consumption in units / installation / annum	5,156	4,030
Sales in MU	<b>1,892.09</b>	<b>1,492.01</b>

c. MESCOM shall furnish the reasons for decrease in specific consumption by 1,126units / installation / annum and the decrease in sales by 400.08 MU when compared to the approved figures, though there is an increase in number of installations by 4,011.

d. The total number of pilot DTCs considered for assessing IP consumption of its area is different for different months i.e.,

SL No	Months	No. of Pilot DTCs
1	Apr-2021	1439
2	May-2021	1400
3	June-2021	1354
4	July-2021	1350
5	August-2021	1338
6	September -2021	1367
7	October -2021	1378
8	November -2021	1359
9	December -2021	1352
10	January-2022	1397
11	February-2022	1418
12	March-2022	1418

MESCOM shall clarify the same.

e. MESCOM shall furnish the data of GPS survey as on 31.03.2021 and 31.03.2022 by reconciling survey data with the number of installations as per DCB.

- f. 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 furnished the status of bifurcation of agricultural feeders in its area and the action plan for completing the work.
- g. Based on the above observations, MESCOM shall submit the IP assessed consumption for FY22, duly furnishing clarity on the data, in the following format;

Particulars	FY-18		FY-19		FY-20		FY-21		FY-22	
	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	April 2021 to Sept 2021	Oct. to Mar 2022
LT4a – Installations (Nos)										
Midyear installations (Nos)										
LT4a – sales (MU)										
Specific consumption in units / IP/ annum										

**3. Category-wise sales (Other than IP sets) for FY24:**

MESCOM has adopted the following methodology for projecting the Number of installations and Energy Sales for FY24:

- a. Number of installations has been projected based on trend analysis, considering the growth trend during the period FY20 to FY22. Where ever the trend is negative or there is no growth rate, the number of installations as on 31.03.2022 is retained for FY24.
- b. Energy sale is estimated based on 3-year CAGR for the period from FY19 to FY22. Wherever the growth is negative or abnormal, the FY22 energy sales is retained for FY23 and FY24.

i. The Commission's observations on the sales forecast for FY24, for categories other than IP Sets are as follows:

i) Methodology:

a. It is observed that for estimating number of installations trend method is adopted. It would be advisable to estimate the number of installations based on CAGR.

b. Working sheets for computation of installations indicating category-wise growth rates shall be furnished.

ii. In case of LT-2b, LT-4c, HT-2b, HT-2c and HT-3 categories, even though there is increase in number of installations, the FY23 sales are retained for FY24 also. Considering the addition of new installations, there should be some increase in sales. MESCOM shall clarify.

iii. The table indicating the growth rates for the number of installations is furnished below:

Category	Percentage Growth Rates			
	2016-17 to 2021-22 CAGR	2018-19 to 2021-22 CAGR	FY22 growth over FY21	Growth rate proposed by MESCOM for FY24
LT-2a	2.74	2.43	2.23	2.11
LT-2b	1.82	1.45	0.80	1.83
LT-3	3.60	3.56	3.37	3.17
LT-5	4.17	4.24	4.57	4.11
LT-6 WS	5.11	4.47	4.23	4.03
LT-6 SL	7.43	9.20	5.95	5.52
HT-1	7.61	6.89	4.96	5.19
HT-2 (a)	5.45	4.68	2.92	3.02
HT-2 (b)	5.95	4.26	3.35	2.93
HT-2 (c)	4.94	4.79	4.02	4.24
HT-3(a) & (b)	7.89	10.72	11.76	7.50
HT-4	5.82	7.85	2.99	4.05

The Commission notes that the growth rate considered by MESCOM is lower for all the above categories except LT-2b category, as compared with the CAGR. MESCOM may consider revising the same.

iv. The table indicating the growth rates for the energy sales is furnished below:

Category	Percentage Growth Rates			
	2016-17 to 2021-22 CAGR	2018-19 to 2021-22 CAGR	FY22 growth over FY21	Growth rate proposed by MESCOM for FY24
LT-2a	3.85	2.43	2.04	4.65
LT-2b	-4.25	1.45	38.14	0.00
LT-3	2.22	3.56	9.16	1.10
LT-5	-0.32	4.24	8.77	1.64
LT-6 WS	4.70	4.47	4.71	7.24
LT-6 SL	0.16	9.20	4.69	0.04
HT-1	4.51	6.89	6.90	3.27
HT-2 (a)	5.34	4.68	29.20	4.42
HT-2 (b)	-2.16	4.28	18.80	0.00
HT-2 (c)	-7.19	4.79	18.71	0.00
HT-3(a) & (b)	41.45	10.72	-5.03	0.00
HT-4	3.98	7.85	10.32	3.83

The Commission notes that the FY22 growth rate over FY21 for energy sales in most of the categories is higher than CAGR, due to reduction in sales during FY21 on account of Covid-19. Thus, FY22 growth rate should not be considered. Further, considering the CAGR, the growth rate for the energy sales considered by MESCOM is lower in respect of LT-3, LT-5, LT-6 SL, and for all HT-categories. Similarly, in case of other categories the sales estimate is higher than CAGR. MESCOM may consider revising the same.

v. Validation of Sales:

In order to validate the sales, category wise information in the following format shall be furnished:



a. No. of Installations

Category	2020-21 Actuals		2021-22 Actuals		2022-23	
	As on 30 <sup>th</sup> Nov 2020	As on 31 <sup>st</sup> March 2021	As on 30 <sup>th</sup> Nov 2021	As on 31 <sup>st</sup> March 2022	As on 30 <sup>th</sup> Nov 2022	As on 31 <sup>st</sup> March 2023 (Estimate)
LT-2a						
LT-2b						
LT-3						
LT-4 (b)						
LT-4 (c)						
LT-5						
LT-6 WS						
LT-6 SL						
Lt-6 EV Charging						
LT-7						
HT-1						
HT-2 (a)						
HT-2 (b)						
HT2C						
HT-3(a)& (b)						
HT-4						
HT-5						
<b>Sub Total (Other than BJ/KJ and IP )</b>						
BJ/KJ<=40units/month						
BJ/kj > 40 units/month.						
IP sets-LT-4a						
Sub Total ( BJ/KJ and IP )						
<b>Grand Total</b>						

b. Energy Sales:

Category	2020-21 Actuals		2021-22 Actuals		2022-23	
	1st April 2020 to 30th Nov 2020 (cumulative)	1st Dec 2020 to 31st March 2021 (cumulative )	1st April 2021 to 30th Nov 2021 (cumulative)	1st Dec 2021 to 31st March 2022 (cumulative)	1st April 2022 to 30th Nov 2022 (cumulative actuals)	1st Dec 2022 to 31st March 2023 (cumulative Estimate)
LT-2a						

	2020-21 Actuals		2021-22 Actuals		2022-23	
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 sets )						
BJ/KJ<=40units/ month						
BJ/kJ > 40 units/month.						
IP sets LT 4a						
Sub Total ( BJ/KJ and IP )						
<b>Grand Total</b>						

vi. Sales to MSEZ:

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

Year	Million Units	
	MESCOM	MSEZL
FY22	67.95	43.749
FY23	67.95	To be furnished by MSEZL
FY24	67.95	46.58

MESCOM shall reconcile the above data.

#### 4. Projected Sales to IP sets for FY24:

- i. MESCOM is submitting that, it has considered trend method as appropriate for projecting the number of installations for FY24. While submitting, it has not submitted the details of calculations involved in the said method.
- ii. While estimating the sales to IP sets for FY24, 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 increasing and decreasing trend of sales every alternate year, while projecting the sales for FY24, MESCOM has shown only increasing trend of sales. MESCOM is directed to furnish the step wise details of how the values are arrived at.
- iii. **The MESCOM, in its tariff application for FY24 has not furnished the consumption of IP sets based on the meter readings of the segregated Agricultural feeder, as per the prescribed Formats, for the period April to September 2022. MESCOM shall furnish the data as above. If the data for the said period is not submitted, the Commission will not accept the assessment of IP consumption for FY24.**

#### 5. Distribution Losses for FY22:

1. MESCOM in its APR filing for FY22 has indicated the actual distribution loss of 9.02%, with the reduced energy purchase at IF point by 260.00 MU and reduced sales by 512.00 MU for FY22. MESCOM has achieved 9.02% which is equal to lower limit of loss target fixed by the Commission. The Commission appreciates the loss reduction efforts made by MESCOM. The Commission would like to know the steps taken by MESCOM in reducing the losses below the target fixed by the Commission.
2. MESCOM shall furnish the month-wise actual data of Energy Audit for Towns and Cities covered in its area of supply, duly indicating the reason for higher loss in towns and cities, in the following format:

Month: .....

Name of the Town/City	FY22			Reason for higher loss
	Energy Input in MU	Energy Sold in MU	Distribution loss in %	
Total				

**6. Distribution Loss for FY 24:**

MESCOM, in its ARR filing has proposed to achieve the distribution losses of 8.85% for FY24 as approved by the Commission, in its Tariff Order dated 04.04.2022. It is observed that, MESCOM has achieved higher loss reduction target in FY22 and with proposed capital investment plan for the FY24, MESCOM should be in position to further reduce losses by 0.25% considering the loss reduction in FY23. Hence, MESCOM shall reassess the loss targets and submit a revised distribution losses target for FY24 along with the action plan for reducing the loss for FY24.

**7. Power Purchase -APR for FY22:**

1) Regarding variation in variable charges among ESCOMs, in respect of Thermal Power Stations, in the Tariff Order 2022, the Commission had directed BESCO to convene a coordination meeting involving all the ESCOMs within Two weeks from the issuance of the Tariff Oder and submit detailed minutes of the meeting to the Commission, within two weeks from the date of conduct of meeting, for further needful action.

a) It appears no action has been taken in this regard by BESCO and no follow up action appears to have been taken by MESCOM either.

b) The variation in variable charges in respect of Thermal Power Stations among ESCOMs is continued this time also, as noted from the Tariff filings of ESCOMs for truing up of FY-22 as indicated below:

Variable Cost (Rs/kWh) as noted from Tariff filings of ESCOMs for truing up of FY-22						
Sl. No.	Source/ESCOM Name	BESCO M	MESCOM	CESC	HESCOM	GESCOM
<b>A</b>	<b>KPCL Thermal</b>					
1	RTPS -1 to 7	3.13	3.39	3.39	3.75	3.37
2	RTPS-VIII	3.31	3.58	3.58	3.83	3.58
3	BTPS Unit I	3.05	3.17	3.17	3.22	3.17
4	BTPS Unit II	2.88	3.00	3.00	2.93	3.00
5	BTPS Unit III	2.98	3.10	3.10	2.90	3.10
6	Yeramarus TPS	3.35	3.11	3.07	3.00	2.90
<b>B</b>	<b>Central Projects</b>					
1	N.T.P.C-Ramagundam, St-I & II	2.83	2.81	2.84	-	2.62
2	NTPC-Ramagundam, St-III	3.29	2.76	2.95		3.79
3	NTPC-Talcher, St-II	1.68	1.77	1.77		1.83
4	NTPC-Simhadri	3.15	2.93	3.52		3.29
5	NLC TPS2-Stage 1	2.64	2.66	2.66	2.65	2.65
6	NLC TPS2-Stage 2	2.65	2.66	2.66		2.52
7	NLC TPS-2-Expn 1 & 2	2.57	2.56	2.57		2.54
8	NLC TPS1-Expn	2.27	2.42	2.45	1.57	2.41
9	Tuficorin (NTPL)1&2	3.82	3.25	3.76	-	3.55
10	Vallur TPS 1,2 &3	3.36	3.37	3.45	3.40	3.33
11	DVC Unit-1 & 2 Koderma	2.76	2.90	2.65	-	2.75
12	DVC Unit-7 & 8 Mejia TPS	2.90	2.65	2.90		2.79
13	Kudugi 1,2 &3	3.98	4.02	4.21	-	3.99
14	NNTPS	2.19	2.19	2.20	2.18	2.18
<b>C</b>	<b>IPPs-Major-Thermal</b>					
1	UPCL	4.54	4.27	6.10	4.93	4.68

Further, it is noted that there is variation of variable charges of MESCOM as compared with other ESCOMs in respect of Thermal Power Stations other than KPCL also. MESCOM is directed to look into this aspect and provide proper justification in this regard. It is indicated in the filing that, MESCOM was not able to utilize the energy left unutilized from cheaper sources of energy and has purchased power from other costlier sources. For example, MESCOM could have further reduced/avoided utilization of energy from UPCL thermal generating station (variable cost: Rs.4.27/unit and total cost: Rs.12.60/unit, as indicated in actuals,) by utilizing energy from MAPS (2X220MW) (variable

cost/total cost: Rs.2.60/unit, as indicated in actuals), Raichur Thermal Power Station Unit 1-7 (7x210) (variable cost: Rs.3.39/unit and total cost: Rs.4.93/unit, as indicated in actuals) etc. or even by utilizing the excess energy if available from other cheaper sources. Since the drawl of power is based on the load management by SLDC, whether MESCOM has observed this and advised SLDC to ensure drawal of power from unutilized cheaper power?.

- 2) MESCOM shall explain the reason for increase in per unit cost of variable charges in respect of State and Central thermal generating stations and in respect of Bundled power.
- 3) The Commission had not approved any energy for purchase from KPCL's Mani Dam Power House. However, MESCOM has shown purchase of 1.64 MU at a cost of Rs. 1.28Crores. MESCOM shall provide clarification in this regard,
- 4) The Commission had not approved any energy for purchase under Co-generation under Medium Term. However, MESCOM has shown purchase of 107.88 MU at a cost of Rs. 52.07 Crores. In this regard, MESCOM has to provide clarification as to whether the term of PPAs entered into, under Co-generation medium term still exists and for how long and if it exists, what is quantum of energy?
- 5) The total amount of Rs.1.12 Crores paid towards Solar banked energy of 0.15 MU works out to **Rs.74.67/unit**. This needs recheck by MESCOM, since, as per the Wheeling and Banking Agreement (under non REC route), ESCOMs shall pay at 85% of the latest generic tariff determined by the Commission applicable to the relevant category of RE Power to the Company for the banked energy remaining unutilized at the end of every water year/wind year/financial year, as the case may be and as per KERC generic tariff order dated 18.08.2021, the per unit cost of solar energy for FY22 is Rs.3.10/unit (for solar projects less than 5 MW). Hence, the latest tariff may be incorporated wherever necessary and revised formats/documents may be submitted to the Commission, with necessary explanation.

- 6) In the D-1 statement, MESCOM has indicated, DSM(UI) charges of Rs.-0.83 Crores against -17.66 MU, which works out to Rs.0.47/unit. Whether MESCOM is analyzing the reasons for the Deviations on regular basis and what is the action being taken/recommended by MESCOM for reducing such Deviations, in consultation with SLDC?
- 7) MESCOM shall provide the reasons for reduction of PGCIL (Point of Connection) charges to Rs.184.25 Crores from approved charges of Rs.217.30 Crores, even when there is increase in drawal of energy from Central generating stations from 1545.83 MU to 2117.32MU, excluding bundled power.
- 8) The MESCOM has considered Rs. 0.53 Crores under the head 'other charges under capacity charges. The details and reasons for the payment of this amount need to be furnished by MESCOM.
- 9) The MESCOM has considered Rs. -13.20 Crores, 9.17 Crores, 11.14 Crores under the head 'Other Charges/ Adjustments (Rs.in Cr.)' in respect of State thermal generating stations, Central thermal generating stations and UPCL thermal generating station respectively, totaling to Rs. 7.11 Crores. The details and reasons for the payment of this amount need to be furnished by MESCOM.
- 10) As per Annual Accounts (draft), the cost towards transmission charges and SLDC charges is Rs.503.82 Crores and Rs.1.525 Crores respectively, as against Rs.504.83 Crores and Rs.2.59 Crores respectively shown as per D-1 Format, resulting in a difference of Rs.2.075 Crores. Same needs to be clarified by MESCOM and necessary corrections if any either in annual accounts or D-1 Format.
- 11) MESCOM had not furnished Source-wise power purchase and cost incurred details in the draft annual report (soft copy as well as in the hard copy, which is incomplete and differs from soft copy), for which, MESCOM submitted a statement by email. However, MESCOM has not provided the Statement in line with D-1 Format. Hence, MESCOM shall submit these details.

**8. Power Purchase- ARR for FY24:**

1. MESCOM, in its ARR filing has indicated its requirement of power at 6313.75 MU at a cost of Rs. 3787.41 Crores at a per unit cost of Rs.5.66 for the FY24. The Commission, as per MYT Order 2022, had approved the energy requirement of 6360.517MU at a cost of Rs. 2810.04 Crores, at a per unit cost of Rs.4.42 for FY24. The source-wise difference between the Commission's approved power purchase quantum and cost and the projection made by MESCOM for FY24 is as under:

Sl. No	Source	KERC Approved for FY 2023-24			MESCOM Projections for FY 2023-24			Difference
		Energy	Amount	Avg. cost	Energy	Amount	Avg. cost	
		in MU	In Crs	In Rs	in MU	In Crs	In Rs	
1	2	3	4	5	6	7	8	
1	KPCL-Hydro	2317.71	267.29	1.15	1474.77	152.6	1.03	0.12
2	KPCL-Thermal	768.56	445.47	5.8	1325.67	955.46	7.21	-1.41
3	Central Projects	1461.9	694.71	4.75	1809.84	997.24	5.51	-0.76
4	Major IPP(UPCL)	251.22	246.88	9.83	108.56	213.41	19.66	-9.83
5	Renewable Energy & Bundled Power	1515.64	612.87		1552.6	683.41	4.4	-4.4
6	Other Hydro	45.49	12.43	2.73	39.22	1.37	0.35	2.38
8	PGCIL & POSOCO Charges		126.54			166.04		0
9	KPTCL transmission charges and SLDC		403.84			403.83		0
10	Energy Balancing				3.09	1.55	5.02	-5.02
11	Deficit/Surplus							0
12	Power Purchase Liability					212.5		0
	Total	6360.517	2810.04	4.42	6313.75	3787.41	5.66	-1.24

It is seen from the above Table that there is overall increase of Rs.1.14 per unit in the projected power purchase cost as compared with the approved cost. MESCOM may make necessary analysis and furnish the reasons and the basis for the substantial difference in projections.



2. MESCOM shall furnish the basis for projecting the source-wise energy for FY24 along with the explanation for projecting reduced/increased quantum of energy, contrary to the steady increase in the day by day consumption in the State, based on the daily load curve statement submitted by SLDC.
3. MESCOM shall furnish the reason for including the power purchase liability of Rs. 212.50 Crores supported by proper documents.
4. MESCOM, shall furnish the reason and the basis for considering the projection of energy/cost in respect of energy balancing.
5. MESCOM shall furnish the basis of computations and the document in consideration of fixed cost and variable costs in respect of BTPS unit-3.
6. MESCOM shall furnish source-wise capacity and quantum of energy to be procured from RE projects, for which it has executed the PPAs.
7. MESCOM shall furnish the methodology for forecasting the RE energy from different sources for FY24.

#### **8. Observations on Capex:**

##### **1. Capex for FY22:**

The Commission, in its Tariff Order 2021 dated 09.06.2021, based on the previous years' achievements and the projected works to be undertaken as per the Gol / GoK schemes, to be partly met by the capital grants and the available internal resources had recognized the expected capital expenditure of Rs.695.85 Crores for FY22. For the purpose of determination of Tariff for FY22, the Commission had decided to reckon Rs.521.89 Crores, as approved in its MYT Order dated: 30<sup>th</sup> May 2019.

MESCOM, in its filing of APR of FY22, has indicated the actual incurred capex of Rs. 425.46 Crores for FY22, in the table provided in the para 4.5 and Format D-17. On a verification of the amounts indicated against each of the works in the table, the total incurred capex works out to be Rs.428.84 Crores.

In view of difference observed by the Commission in respect of capex incurred for FY22, the MESCOM is directed to furnish the correct capex incurred under each sub-head of account code-14 series for FY22, duly agreeing with figures of audited accounts along with Format-1 annexed.

In view of this MESCOM shall furnish the following details:

- a. Abstract of physical and financial progress in respect of additional transformers, link lines, HT/LT reconductoring, HVDS and UG/AB cable etc., for having incurred capex of Rs.110.26 Crores towards E&I works.
- b. Division-wise abstract of capacity-wise replacement of faulty transformers by new transformers with reasons for incurring an amount of Rs.2.17 Crores.
- c. Under Model sub-division works for FY22, furnish an abstract of number of works sanctioned, Completed, balance number of works to be taken up, benefits to the consumers, details of source of funding for capex incurred for an amount of Rs.35.20 Crores.
- d. List of works carried out under 33KV Station and Line works for having incurred amount of Rs.21.50 Crores.
- e. Division-wise abstract of number of IP sets energized and cost thereon, under GK scheme and general scheme for having incurred capex of Rs.106.27 Crores in sl.no 6(b) and Rs.17.10 Crores in sl.no B(5) of the table indicated in para 4.5.
- f. The Commission, in its Tariff Order dated 4<sup>th</sup> April 2022 had disallowed the expenses towards depreciation and interest pertaining to 7 no's of imprudent works of FY19 and FY20. In view of this, MESCOM is directed to provide the present status of each of the works. In case these works continue to be imprudent, necessary disallowance would be affected in the ARR of FY24.

## **2. Capex Plan for FY24:**

The Commission has taken note of submission made by MESCOM, in its tariff filing of ARR for FY24, for considering the capex of Rs.661.92 Crores and Rs.506.43 Crores for FY23 and FY24, respectively as approved in the MYT Order 2022. It is stated here that in the current proceedings, the APR for FY22 and ARR for FY24 are being dealt with. The capex incurred for FY23 would be reviewed during the APR of FY23.

## **9. Expenses claimed under APR for FY22:**

- 1) MESCOM, in its filing has claimed Rs.44.09 Crores as "Exceptional Items" as per the Annual Accounts for FY22. MESCOM shall furnish the details for the same.
- 2) In D-11 Format, Rs.9.43 Crores has been indicated as "Miscellaneous Losses and Write-offs", MESCOM shall furnish the details thereof.
- 3) In the Format D-15, opening and closing balances of GFA are indicated. However, the amount of GFA created out of Consumers' contribution & Grants is not mentioned. MESCOM shall furnish the revised D-15 Format duly indicating the opening & closing balances, additions, retirement of assets created out of Consumer Contribution & Grants, for the years FY22, FY23 and FY24 in order to verify the compliance of the directive of the Hon'ble ATE Order in OP 46/2014 and for allowing the net depreciation on the GFA.
- 4) MESCOM shall submit the Audited Annual Accounts along with Directors Report for FY22.

## **10. Revenue/ Expenses claimed under ARR for FY24:**

- 1) MESCOM has claimed the additional employee cost of Rs.234.12 Crores stated to be the impact of revision of pay scales w.e.f. 01.04.2022. In this regard, MESCOM shall submit the orders of the Competent Authority in support of its claims besides submitting the Actuarial Valuation report applicable for FY22 and FY24.
- 2) In A-1 Format, MESCOM has claimed Rs.212.50 Crores as "Other Power Purchase Liabilities" for FY24. MESCOM shall furnish the details / nature of expenses and state whether the liabilities are crystallized and accounted for in the Annual Accounts.
- 3) MESCOM has proposed for withdrawal of Solar Rebate for LT-2a consumers. MESCOM shall furnish the revenue impact on this account.
- 4) MESCOM has proposed increase in fixed / demand charges for both LT and HT categories.

MESCOM shall furnish the position of fixed / demand charges in FY22 (Actual), FY24 (with the current tariff) and FY24 (with the proposed tariff) in the following format:

Year	Fixed Cost component in the ARR Rs.in Crores.	Portion of fixed / demand charges in the total revenue Rs.in Crores (w/r to D-21 Format)	% of fixed cost in the tariff
FY22 (Actuals)			
FY24 (as per current tariff)			
FY24 (with the proposed tariff)			

- 5) MESCOM while proposing the revised retail supply tariff for FY24 has projected the Irrigation pump sets tariff subsidy of Rs.1497.26 Crores for FY24 at the abnormal rate of Rs.9.01 per unit as against the existing approved CTD of Rs.6.16 per unit. The tariff increase proposed by MESCOM is 46.27%. MESCOM shall submit the commitment letter from the GoK in support of the said claims.
- 6) MESCOM in its filing has claimed Rs.22.43 Crores towards interest on infirm power of UPCL for FY24. MESCOM shall submit the basis for projecting this amount for FY24.
- 7) MESCOM shall submit category-wise, sub category-wise contract / sanctioned load and details of slab-wise consumption of all the category of consumers existing as on 31.10.2022.

#### 11. RPO Compliance:

For the purpose of ascertaining the compliance of RPO, the power purchase from SRTPV sources, is not indicated separately in D-1 Format. MESCOM shall clarify the same.

#### 12. Wheeling Charges for FY24:

MESCOM has proposed wheeling charges of 48 paise/unit and 113 paise/unit for HT network and LT network, respectively. Further it is stated that proposed technical losses of 3.59-% at HT level and 5.16% at LT level are applicable.

Regarding Wheeling charges for RE sources, it is submitted that wheeling transactions of RE sources is increasing year-on-year and therefore MESCOM has requested to apply all the relevant charges as is being made applicable to normal

OA / wheeling transactions to RE sources also. In this regard it is submitted that the transmission & distribution network maintenance charges are increasing year-on-year. 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 concurs 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.

As far as wheeling charges and banking facility for RE sources is concerned, the Commission notes that the 2018 order in the matter of banking is pending before the Hon'ble Supreme court of India and the 2018 order on wheeling charges is pending before the Hon'ble High Court of Karnataka.

The Commission, in the meanwhile had issued a discussion paper on wheeling charges and banking facility and considering the stakeholder's comments directed KPTCL/ ESCOMs to conduct a study in the matter. The study on Wheeling charges & Banking facility was entrusted to Prayas, Pune by PCKL and the study has been completed and a public hearing on the study report was held by the Commission on 08.09.2022. Few of the stakeholders have requested to furnish certain information and the Commission has directed PCKL to furnish the requested information to those stakeholders. The Commission would take appropriate action in the matter.

Further, the Central Government has notified the Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022, which has become effective from 06.06.2022 and as envisaged under Rule-5, this Commission has issued the draft Green Energy Open Access Regulations. The Commission has concluded the public hearing in the matter of GEOA Regulations and would finalise the same shortly.

### 13. Cross Subsidy Surcharge:

In the matter of levying of Cross Subsidy Surcharge and Additional Surcharge for RE sources, MESCOM has requested to continue to levy the same as determined by the Commission from time to time.

**The Commission directs MESCOM to furnish category-wise calculations for the cross subsidy surcharge.**

### 14. Additional Surcharge:

As regards to additional surcharge, the Commission notes that, in Appeal No.260/2018 and 43/2021, the Hon'ble ATE in its order dated, 15.09.2022, has directed the Commission to bear in mind the submissions made by the Appellants, as and when the Commission sets about to pass an order in the matter and also to keep in mind the guidance on the subject provided not only by the NTP but also the Regulations framed by the Commission, wherein the muster prescribed is "conclusive demonstration on existence of factors justifying such levy". The said order is available on the ATE's Website. **Keeping in view the observations of the Hon'ble ATE, MESCOM shall conclusively demonstrate and furnish the details of stranded costs involved to justify the claim of additional surcharge. In the absence of full details of the stranded costs to justify the Additional Surcharge, it would not be possible for the Commission to determine the Additional surcharge, so as to comply with the Orders of the Hon'ble ATE.**

**The relevant extract of the Orders of the Hon'ble ATE is as under:**

*7. "It is the contention of the appellants that most basic data that is essential to be gathered examining whether or not there is any stranded capacity on account of the drawal of power by the open access customers from other sources comprises the information as to the extent to which the licensees were compelled to back down any long term power source during the time blocks when there was open access concession, the distribution licensees were constrained to procure power on short term basis, and the distribution licensee had to take resort*

to power cuts or regulate the power supply in the State this being indicative of insufficient availability of power to meet the actual demand.

8. In the submissions of the appellants, in order to examine and compute the claim of stranded capacity and computation of additional surcharge, information as to open access consumption, unscheduled capacity short term power purchase and power cuts imposed, if any, on time block basis is sine qua non. The submission is that since such exercise was not undertaken by the Commission, it cannot be said that the distribution licensees had conclusively demonstrated their case for approval of the rate proposed for determination of the additional surcharge."

**15. Observations on Directives issued to MESCOM:**

Directive No.	Directives Issued by the Commission	Commission's Observation
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 has not furnished the details. MESCOM shall furnish the same.</p> <p>MESCOM was also 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>The MESCOM has submitted that it has provided safety gear to the Power men. MESCOM shall submit the details indicating the 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</p>

Directive No.	Directives Issued by the Commission	Commission's Observation
		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.
7	Directive on Load shedding	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	MESCOM has submitted the number of Complaints received and disposed of, for the FY 2022 and FY 2023 (up to September 2022). 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.  The MESCOM shall furnish compliance in this regard. Comparison of the downtime analysis for FY21 and FY22 shall be furnished.
9	Directives on Energy Audit	<b>Energy Audit of cities / towns</b> MESCOM shall indicate the definite timeline by which it will complete the consumer indexing for Shivamogga and Chikkamagaluru for taking up energy auditing effectively. <b>DTCs Energy Audit:</b> The MESCOM has furnished 49,047 numbers of DTCs metered and 48,931 number of DTCs yet to be metered. MESCOM shall furnish remedial measures initiated to reduce losses in the DTCs and the timeline by which all the balance DTCs will be metered and audited.
10	Implementation of NJY	MESCOM has not submitted the information of implementation of NJY feeders. MESCOM has to furnish the details of commissioning of 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.
13	Directive on Implementation of Financial Management Framework	MESCOM has to submit the compliance in respect of implementation of Financial Management Framework, on <b>quarterly basis</b> regularly to the Commission. MESCOM shall furnish the action taken to collect huge arrears in respect of the O&M Divisions, where the CB ratio is high including the arrears from the Government installations.



Directive No.	Directives Issued by the Commission	Commission's Observation
14	Prevention of Electrical Accidents	MESCOM shall furnish the details of hazardous locations identified, the balance number of hazardous locations to be rectified for FY22 and till October 2022 along with an action plan to rectify them. MESCOM shall furnish the summary of the analysis made on the reports submitted by Electrical Inspectorate for FY22 and FY 23 up to September 2022, action taken to prevent such accidents in future.
New	New Directive issued in Tariff Order 2022	The KPTCL and ESCOMs were directed to comply with the timelines prescribed by the Commission on issue of NOC for wheeling and banking of energy in respect of Open Access Consumers. MESOM is yet to furnish compliance thereon, so far.

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