



Observations/remarks/objections on the proposal for determination of tariff for FY-19 for



submission during public hearing
to



*Monday, February 19, 2018
Bengaluru*

INTRODUCTION:

Karnataka Electricity Regulatory Commission (KERC) was set up in the state of Karnataka during the year 1999 as a professional and independent body

OBJECTIVES:

- To regulate all aspects of the electricity sector in an **objective, professional and transparent manner.**
- **To safeguard consumers' interests.**
- To ensure **reliable, least-cost power supply as a basic input for the economic and social development of the state.**

BESCOM Statistics

Particulars	FY - 09	FY - 10	FY - 11	FY - 12	FY - 13	FY - 14	FY - 15	FY - 16	FY - 17
Cost per unit to Consumer (in paisa)	3.32	4.21	4.66	4.75	5.04	5.04	5.36	5.59	6.41
Commission has allowed an increase (paisa per unit Average)	40.11	30.75	29.75	0.13	0.24	0.32	0.18	0.48	0.53
Consumers (in Lakhs)	69.42	72.56	76.78	79.15	79.48	89.25	94.45	101.47	106.96
LT Consumers (in Lakhs)	69.35	72.49	76.70	79.06	79.39	88.66	94.33	101.33	106.82
HT Consumers (in Lakhs)	0.07	0.07	0.08	0.09	0.09	0.10	0.11	0.14	0.14
Energy Consumption (MU)	16310.48	17252.00	18736.16	21029.91	22796.00	23065.00	24436.08	24538.19	26,239.27
IP Set consumers	568741	585038		626825	620313	691785	768577	809178	887879
Demand (Rs. in Crores)	6190.00	6792.00	8246.00	9405.38	10724.00	11560.00	13385.00	14148.24	15,861.17
Collection (Rs. in Crores)	6132.00	6600.00	7942.00	8851.06	10096.00	11147.00	12884.00	14038.00	15,762.50
ARR approved by Commission (Rs. in Crores)		7381.92	8582.71	10184.8	12759.47	12498.31	14213.19	14418.74	15,183.68
Sales (as per audited accounts in Mu)	16310.48	17252.00	18736.16	21029.91	22796.00	23065.00	24436.08	24538.19	26239

Karnataka state economic position

Source: ECONOMIC SURVEY OF KARNATAKA 2017-18

Electricity in Mu	1970-71	1980-81	1990-91	2000-01	2010-11	2015-16	2016-17
Total Generation	4833	6389	12431	21985	47112	64227	69657
Total Consumption	3187	5189	12182	17860	37202	61956	67370
Industrial Consumption	2488	3864	5429	4882	8425	9720	9507
Agricultural Consumption	179	384	4486	7350	12802	18962	20987
Domestic Consumption	217	696	1803	3909	7893	11243	11922
Agriculture							
Agriculture	1970-71	1980-81	1990-91	2000-01	2010-11	2015-16	2016-17
Net Area Sown Ha.	10228	10248	9899	10381	10410	10044	10006
Gross Cropped Area Ha	10588	10887	10660	11759	12284	12247	12008
Gross Irrigated Area -Ha	NA	1355	1676	2598	3271	4186	3742
Gross Irrigated Area to Gross Cropped Area %	NA	12.45	15.72	22.09	26.63	34.18	31.16

Setting the context: BESCO Performance tardy

- Over the last **several years the performance of the BESCO has shown only marginal improvement**
- BESCO continues to have **poor and unreliable quality of power supply, continuously increasing the price of power, high distribution losses, poor working capital management, poor collection efficiency, poor governance and transparency.**
- Distribution of power by BESCO is a **commercial activity and not a sovereign act of Government and does not need protection as a Govt agency.**
- BESCO is today a Govt of Karnataka undertaking where the **owner has inadequate equity**
- **Honest citizens should not be penalized for the acts of mismanaged PSU's** who have turned a blind eye to many actions of Government and private entities that have resulted in:
 - **Power theft/ Un-authorized power connections**
 - **Chronic defaulters in payment of power consumption charges**
 - **Default by Govt departments caused due to non-payment of electricity bills**
 - **Gross mismanagement by BESCO in power purchase and distribution, poor revenue collection etc.**

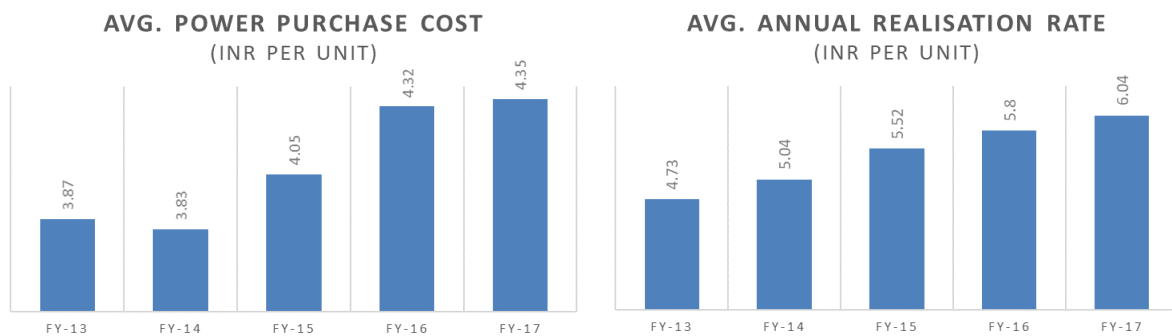
- **KERC must focus on consumer protection and penalize inefficient BESCO which continues to fail in providing quality power supply to consumers**

Our **Observations/remarks/objections on the proposal for determination of tariff for FY-19 for BESCO** is as below:

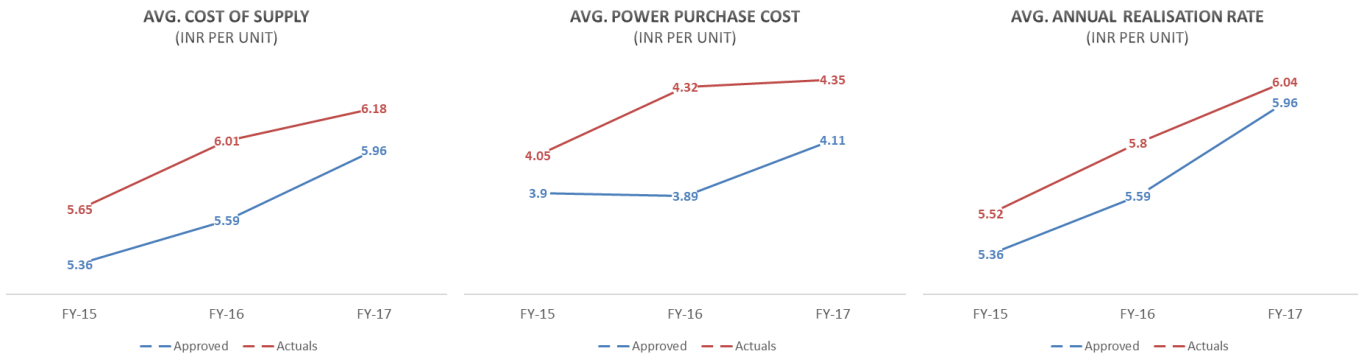
1. BESCO's track record Analysis
2. Truing up FY 16-17
3. Tariff revision for FY 18-19
4. New Proposals
5. BESCO Prayer for Leave of the Commission

1. BESCO's track record Analysis: (FY 13 to FY 17)

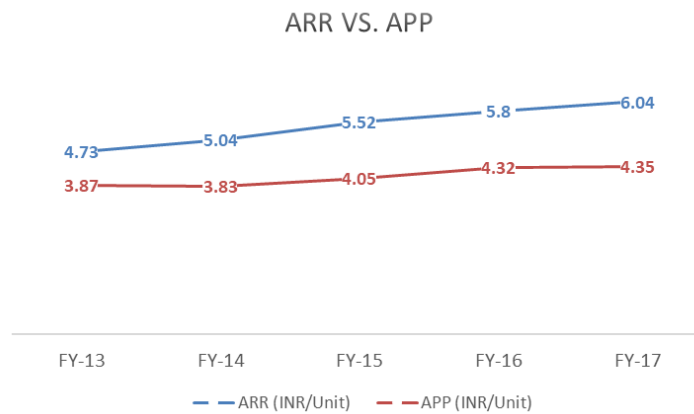
- In the last 5 years,
 - The Average Power Purchase Cost has gone up from **INR 3.87/unit to INR 4.35/unit with an increase of 12.5%**.
 - The Average Annual Revenue Realization Rate has gone up from **Rs. 4.73/unit to Rs. 6.04/unit with an increase of 28%**
 - Margin went up from **0.86 paise/unit to 1.69 paise/unit from 22% to 39%**
 - Still BESCO is asking for increase in tariff



- In the past 3 years, **BESCO has never met the Commission's approved rates** of Avg. Cost of Supply (ACS), Avg. Revenue Realization (ARR) and Avg. Power Purchase Cost (APP). Chart below clearly demonstrates that BESCO has **realised higher rates than what was approved without bringing in efficiency** with respect to the cost of power purchase



- Further, in all the past 5 years, BESCO has been keeping significant margins for itself. The ARR (Average Realization Rate) has always been more than the APP (Power Purchase cost)



- This has led to BESCO’s revenue shooting up from **INR 10,783.62 Cr** to **INR 15,861.15 Cr**, with a disproportionate increase in power purchase cost from **Rs. 10780.55 Cr** to **13700.83 Cr** as can be seen in the below chart. Chart below shows that BESCO is making a bigger margin while only being more and more inefficient

	FY-13	FY-14	FY-15	FY-16	FY-17	Trend
Power Purchase Cost (INR Crs)	10,780.55	10,702.76	11,917.42	12,600.53	13,700.83	
Revenue (INR Crs)	10,783.62	11,617.35	13,479.60	14,226.85	15,861.15	
Margin (INR Crs)	3.07	914.60	1,562.18	1,626.32	2,160.32	
Margin (%)	0.03%	8.55%	13.11%	12.91%	15.77%	

Our Prayer

- *Consumer protection is one of the primary objectives of the KERC, we urge you to take notice of the above data-based insights and **not allow BESCO to pass the burden of its inefficiencies on citizens through its FY-19 tariff increase proposal. Especially when it is already rewarding***

itself with handsome margins over and above the approved limits set by the KERC.

2. Truing up FY 16-17 (Chapter 3, PG: 10-57)

Distribution loss (pg:4 of BESCO replies to Commission)

- KERC has approved distribution loss of 12.75% for FY 18 (up to Nov 2017). BESCO distribution loss presented at 11.86%. Further **analysis of date of energy audit for towns and cities shows that distribution loss in 5 towns varies between 18.41% to 28.53%. Whereas few towns have been able to bring down the distribution loss from 9.56% to 7.45% and 10.32% to 6.74% and from 10.91% to 4.87%.**

SI No	Town Name	The FY-17			The FY-18 (Cumulative as at the end of Nov-2017)		
		Net Input Energy (MU)	Energy sold (MU)	% Distribution losses	Net Input Energy (MU)	Energy sold (MU)	% Distribution losses
1	Channapattana	43.02	37.54	12.74	25.71	23.65	8.04
2	Chitradurga	61.34	54.65	10.91	35.74	34	4.87
3	Doddaballapura	64.64	54.5	15.7	36.51	34.17	6.39
4	Kunigal	20.16	18.55	7.98	9.68	9.11	5.92
5	Tiptur	41.86	37.86	9.56	23.92	22.14	7.45
6	Tumkur	312.42	280.19	10.32	181.38	169.16	6.74

- The below table shows that from a sample of 24 towns obtained from BESCO (Energy Audit Report Pg. 5), 12 towns faced a loss upwards of the permitted 12.75% as directed by KERC. **The average loss across the 12 towns works out to be 7%, or 3.5% across the entire sample size.** The divisions where the distribution loss is higher than the commission allowed limit of 12.75% distribution loss indicates the **inefficiency in losses.**

Town Name	Net Input Energy (Mn Units)	% Distribution Loss	Difference from KERC Approved @ 12.75%	Inefficient Loss (Mn Units)	% Average Loss
Anekal	26.04	15.63%	2.88%	0.75	
Bangarpete	29.56	25.51%	12.76%	3.77	
Challekere	16.12	13.96%	1.21%	0.20	
Chickaballapura	27.34	21.49%	8.74%	2.39	
Chinthamani	32.17	18.41%	5.66%	1.82	
Hiriyur	15.01	18.18%	5.43%	0.82	
Hosekete	27.47	18.14%	5.39%	1.48	
KGF	41.45	20.30%	7.55%	3.13	
Kunigal	47.03	18.52%	5.77%	2.71	
Mulabagilu	15.58	18.06%	5.31%	0.83	
Shidlagatta	17.48	28.53%	15.78%	2.76	
Shira Town	15.01	20.64%	7.89%	1.18	
Total	310.26			21.84	7.0%




Our Prayer:

- We request that no distribution loss **above 12.75% should be allowed and towns/divisions with losses above 12.75% should not be added to BESCO's overall loss.**
- We request the commission to consider **controlling distribution losses above 12.75% at towns/divisions**
- This inefficiency **should not be a burden on the consumers and should be absorbed by BESCO in its truing up. We propose that BESCO must bear 3.5% of the total power purchase cost, which amounts to INR 479.53 Cr.**

Power purchase cost: (page 6)

Particulars	Approved			Actuals			Variation		
	Energy in MU	Cost of Energy Rs. Crs	Unit cost of Energy Rs/Kwh	Energy in MU	Cost of Energy Rs. Crs	Unit cost of Energy Rs/Kwh	Energy in MU	Cost of Energy Rs. Crs	Unit cost of Energy Rs/Kwh
KPCL HYDEL	3636.159	407.226	1.12	1859.32	176.81	0.95	-1776.84	-230.42	-0.17
KPCL THERMAL	9912.495	4044.07	4.08	9424.57	3977.06	4.22	-487.925	-67.007	0.14
CGS Energy	10286.42	3335.99	3.24	10619.4	3631.4	3.42	332.965	295.406	0.18
UPCL	3566.25	1478.4	4.15	3378.86	1387.45	4.11	-187.394	-90.949	-0.04
Renewal Energy	3522.21	1439.08	4.09	3380.62	1329.25	3.93	-141.59	-109.83	-0.15
Other State Hydel	68.85	32.367	4.7	57.43	28.86	5.03	-11.424	-3.507	0.32
Short Term	529.872	267.058	5.04	2225.21	988.3	4.44	1695.338	721.242	-0.6

- BESCO has stated in the filing that **Increase in average cost of power is due to increase in the quantum of short term power. The average cost of power in Energy Exchanges were at INR. 3.16, All short-term power requirements should be met through the exchange, hence providing for transparent price discovery. (source: Indian Energy Exchange)**
- BESCO has been **overshooting the approved limits of the total Power Purchase Cost for the past two years as shown in the below table. This indicates BESCO's poor power purchase planning when power in the open market available at average of Rs.3.16/unit. There is no reason why consumer must bear the excessive cost of poor power purchase planning.**

Power Purchase Cost (INR Crs)	FY-13	FY-14	FY-15	FY-16	FY-17	Trend
Approved	11,292.61	10,914.80	11,922.09	11,840.15	12,954.19	
Actuals	10,780.55	10,702.76	11,917.42	12,600.53	13,700.83	
Gap	-512.06	-212.05	-4.67	760.38	746.64	

Thermal Power Purchase

- As indicated by BESCO's submission, **the variable cost of power purchase in Thermal Stations has been abysmally poor. Most of the below producers do not meet the Approved Variable Costs sanctioned by KERC.**

KPCL -Thermal	Energy in MU	Actual Avg Cost per Unit	Approved Avg Cost per Unit	Actual Variable Cost (INR Cr)	Approved Variable Cost (INR Cr)	Difference (INR Cr)
RIPS 1 to 7 Unit	6005.64	3.26	3.088	1960.77	1854.54	106.23
RIPS 8 Unit	762.33	3.19	3.008	243.52	229.31	14.21
BTPS - 1	1522.90	3.21	3.670	488.40	558.90	-70.50
BTPS - 2	1110.34	3.31	3.322	367.22	368.85	-1.63
CGS - Thermal						
NTPS RSTPS 1 & 2	1624.53	2.24	2.278	363.15	370.07	-6.92
NTPC Talchar	1187.94	1.88	1.448	222.83	172.01	50.82
NTPC Stage III	472.56	1.90	2.348	89.71	110.96	-21.25
NTPC Simhadri	903.37	3.05	2.436	275.64	220.06	55.58
NTPC Vallur	511.87	2.52	2.054	128.75	105.14	23.61
NTPL	676.45	2.56	2.572	173.41	173.98	-0.57
NLC Expansion - 1	416.09	3.63	2.498	151.31	103.94	47.37
NLC Expansion - 2	161.23	2.33	2.300	37.54	37.08	0.46
NLC TPS Stage - 1	543.37	2.65	2.409	144.05	130.90	13.15
NLC TPS Stage - 2	715.12	2.70	2.409	192.77	172.27	20.50
DVC (MTPS)	710.10	2.16	2.288	153.67	162.47	-8.80
DVC (KTPS)	883.97	2.14	2.222	188.79	196.42	-7.63
Total Disallowable Cost						214.62

Our Prayer:





- We submit to your notice the workings of the disallowable costs which the BESCO conveniently did not include in its report. Our proposed total disallowable amount as per the above calculations amounts to **INR 214.62 Cr.** We urge the **Commission to not only disallow this amount, but also enforce the inclusion of the losses due to inefficient purchasing by the BESCO to be included in their annual reports hereon in the above format.***

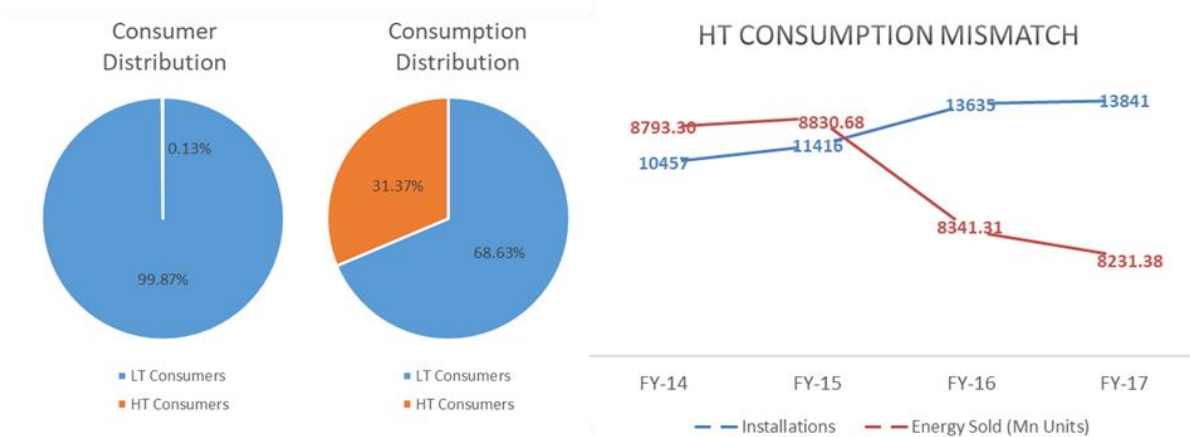
Sales:

No of Units Sold (MU)	FY -14	FY - 15	FY - 16	FY - 17
LT				
Domestic	5369.87	5854.57	6156.1	6415.97
Commercial	1536.91	1663.33	1754.07	1879.3
Industrial	1109.44	1134.22	1150.4	1163.2
Others	1009.28	1014.45	938.46	1128
Total LT excluding Agricultural	9025.5	9666.57	9999.03	10586.5
Agricultural	5246.57	5938.79	6197.85	7287.51
Total LT including Agricultural	14272.1	15605.4	16196.9	28460.5
HT				
Industrial	5069.16	4750.15	4593.21	4456.17
Commercial	2855.68	2795.89	2614.9	2619.62
Others	859.24	1266.39	1076.09	1155.58
Total HT excluding Agricultural	8784.08	8812.44	8284.2	8231.37
Agricultural	9.22	18.29	57.11	15.07
Total HT including Agricultural	8793.3	8830.72	8341.31	8246.44
Total LT+HT	23065.4	24436.1	24538.2	36706.9

HT Sales:

- HT Sales is an integral part of BESCO's revenue. At a time where **Bangalore Metropolitan Region and its adjoining districts are prospering**, and **Karnataka is growing at 8.5% CAGR (ECONOMIC SURVEY OF KARNATAKA 2017-18)**, many businesses are being set up (*as can be seen from the increase in the number of installations*). It is disheartening to see that these **businesses are choosing not to procure power from the BESCO (energy sold units are falling)**, this is **solely driven by the unfair & uncompetitive increasing rates by BESCO in HT category.**

	FY-14	FY-15	FY-16	FY-17	Trend
Installations	10,457.00	11,416.00	13,635.00	13,841.00	
Energy Sold (Mn Units)	8,793.30	8,830.68	8,341.31	8,231.38	
Revenue (Rs in Crs)	5,701.77	5,994.12	6,414.77	6,613.53	
Avg. Realn. (INR/unit)	6.48	6.79	7.69	8.03	



Our Prayer

- *It is high time that the Commission should **acknowledge its responsibility in safeguarding the industrial sector which fuels the growth and job creation in any geography, especially given the fact that Bengaluru alone contributes almost 60% of Karnataka's GDP and has to compete with increasingly well-governed and business-friendly cities like Hyderabad and Chennai and not increase rates on HT***
- *The Commission should direct BESCO to take note of **this declining HT consumption and reduce HT rates across categories by 20%**.*

BESCO's collection efficiency

Particulars	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18 (P)	FY 19 (P)
Revenue (INR Crs)	10,783.62	11,617.35	13,479.60	14,226.85	15,861.15	16,791.06	17,377.41
Receivables (INR Crs)							
Receivables against sale of Power	4727.99	5892.88	4371.30	5659.96	7178.6	8550.11	9970.77
Loans & Advances	539.24	677.79	664.10	811.99	1216.94	1296.94	1516.94
Sundry Receivables	574.67	582.81	2742.28	2170.07	1817.36	2170	2371.59
Total Receivables (INR Crs)	5841.9	7153.48	7777.68	8642.02	10212.9	12017.05	13859.3
Monthly revenue	898.64	968.11	1123.30	1185.57	1321.76	1399.26	1448.12
No of sales Month outstanding	6.50	7.39	6.92	7.29	7.73	8.59	9.57

- From the above table, we see BESCO's collection efficiency has drastically worsened from **6.50 months sales to 7.73 months sales and for FY 19 is projected at 9.57 months sales.**

Particulars	INR Cr	Monthly sales
Revenue from Operations (Half year April - Sept 2017)	8857.99	1476.33
Trade Receivables (As at Sept 2017)		
Particulars	As at 30th Sept 2017	No of Month Sales
Secured, considered good	4444.44	3.01
Receivable from PCKL towards gram panchayat electricity dues	1797.38	1.22
Unbilled Revenue (LT+HT)	1222.10	0.83
Doubtful	1173.51	0.79
Cash receivables from Associates - KPTCL/ESCOMS	459.00	0.31
Other receivables	9.54	0.01
Inter ESCOMs Energy balancing & energy charges at IF points	1580.25	1.07
Inter unit Accounts	1089.07	0.74
Total	11775.29	7.98
10% intrest	1177.53	0.80
Total	12952.82	8.77

- From the above table, pertaining to Half year ended Sept 2017, it is to be noted that **BESCOM receivables have gone up even further to an alarming 8.77 months sale**, further BESCOM has claimed Rs. 1173.51 as doubtful receivables.

BESCOM has claimed in the submission that it is facing liquidity problem (PG 33).

- The **demand for FY 17 is INR. 15861.17 Cr**, collection is **INR. 15762.50 with 99% of collection is realized**. The liquidity crisis in the system is because the cash has been used to finance other ESCOMs and others without charging interest. This inefficiency is passed on to consumers through increase in tariff.

Sep-17		
SI No	Particulars	INR Cr
1	Trade receivables	7463
2	Other receivables	2061
3	Other current assets	748
4	Total (1+2+3)	10272
5	Revenue	8948

- As on half year ended Sep 2017, **receivables and other current assets makes up 114% of sales**. If one assumes receivables at 16.6%. i.e. 2 months of sales it amounts to approximately INR 2983 Cr and adding another 20% of this for other receivables makes it to **INR.3579 Cr**.

FY 2019		
SI No	Particulars	INR Cr
1	Receivable against Sale of Power	9970
2	Loans and advances	1516
3	Sundry receivables	2371
4	Total (1+2+3)	13857
5	Revenue	17453

- From the above table as **projected by BESCO** for FY 2019, **above line items make 79% of sales**. If one assumes receivables at 16.6% i.e. 2 months of sales it amounts to approximately INR 3000 Cr and adding another 20% of this for other receivables of INR 560 Cr makes it INR.3600 Cr.
- **An excess of INR. 10,357 Cr is shown as receivables, loans and advances showing total lack of financial discipline and lack of collection efficiency. At an interest of 9% on this amount to about INR. 925 Cr.**

Our Prayer:

- *We urge the commission to take note of this and **direct BESCO to bring in discipline in collecting receivables. Consumers should not be made to pay for BESCO's inefficiency***
- *Further, the BESCO has made a huge provision of Rs.1173.51 Cr towards doubtful debts. The commission should direct the BESCO to identify the names of the doubtful receivables and furnish the same to commission and make it public and disallow Rs. 1173.51cr from truing up exercise.*
- *Therefore, proper management of incremental power purchases/purchase of power at lower rates from exchanges for at least 2000 Mu per year and reduction of sundry receivables, loans and advances to 2 months sales will do away with the need for any increase in the tariff.*

3. Tariff revision for FY 18-19

Cross subsidy surcharges:

Particulars	HT 1 Water Supply	HT 2 a Industries	HT 2b Commercial	HT 2C	HT 4 Residential Apartments	HT 5 Temporary
Average Realisation rate-paise/unit	467.87	754	975	775	650	1203
Cost of supply at 5% margin @ 66kV and above level	601.6	601.6	601.6	601.6	601.6	601.6
Cross subsidysurcharge paise/unit @ 66 kV and above level	-133.7	152.4	373.4	173.4	48.4	601.4
Cost of supply at 5% margin @ HT level	620.66	620.66	620.66	620.66	620.66	620.66
Cross subsidy surcharge paise/unit @ HT level	-152.79	133.34	354.34	154.34	29.34	582.34

- **CCS for HT 1 should be charge to BWSSB water supply users and not by all consumers since 50% of households are not getting water and the same to be given as a line item in the water bill for consumers**
- **CCS under HT 2b should be bought down by INR 2 when calculated as per National Electric Tariff policy.**

SI No	Sub - Category	Particulars	Approved			Actual		
			Sales in MU	Revenue in Cr	ARR	Sales in MU	Revenue in Cr	ARR
1	LT 2 (a)(i)	Domestic/AEH - Applicable to BBMP, Municipal corporations & all areas under Urban Local Bodies	5933.4	3093.34	5.21	5751.77	3078.59	5.35
2	LT 2 (a)(ii)	Domestic/AEH - Applicable to areas coming under village panchayats	684.18	290.2	4.24	617.9	265.85	4.3
3	LT 2(b)(i)	Pvt Educational Institutions BBMP, Municipal corporations & all areas under local bodies	37.89	29.54	7.8	40.51	30.92	7.63
4	LT 2 (b)(ii)	Pvt Educational Institutions applicable to areas coming under village Panchayats	5.23	3.33	6.37	5.79	3.91	6.76

Sub - Category	Particulars	Approved with respect to ACS Rs. 5.96(in%)	Actual with respect to ACS Rs. 6.44 per unit (in %)	Approved Cross subsidy requirement	Actual cross subsidy requirement
LT 2(b)(i)	Pvt Educational Institutions BBMP, Municipal corporations & all areas under local bodies	30.82	18.36%	-6.96	-4.84
LT 2 (b)(ii)	Pvt Educational Institutions applicable to areas coming under village Panchayats	6.8	5.43%	-0.21	13 -0.18

- Under **LT 2(b)(i) & LT 2(b)(ii)**, sale has less at **37.89 Mu** and **5.23 Mu**. It creates a great burden on private educational institutions. We suggest this reducing to domestic AEH rate **INR. 5.21** from **INR. 7.80** and **INR. 6.37**. This will mean a lot for educational institutions who are providing education as a public service and impact to the BESCO will be marginal

Sub - Category	Particulars	Approved with respect to ACS Rs. 5.96(in%)	Actual with respect to ACS Rs. 6.44 per unit (in %)	Approved Cross subsidy requirement	Actual cross subsidy requirement
HT 2 (c)(i)	Govt/Aided Hospitals & Educational Institutions	27.37	5.93%	-15.68	-5.15
HT 2 (c)(ii)	Hospitals and Educational Institutions other than covered under HT 2©(i)	24.97	33.49%	-21.45	-30.15

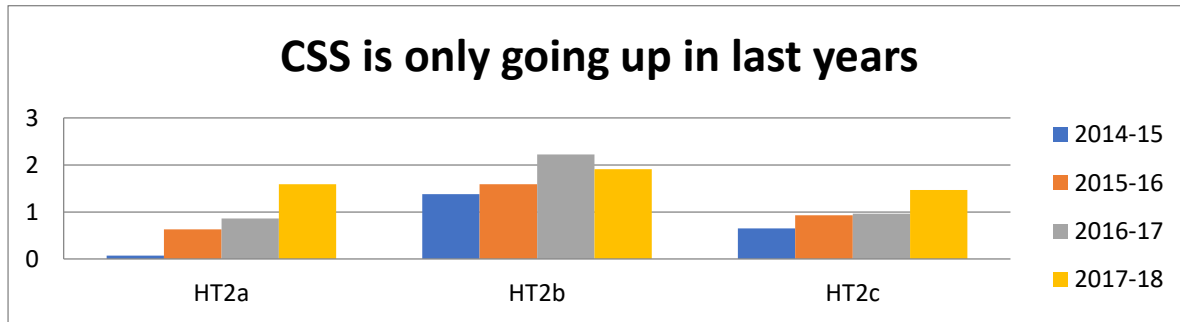
Sl No	Sub - Category	Particulars	Approved				Actual			
			No of Inst.	Sales in MU	Revenue in Cr	ARR	No of Inst.	Sales in MU	Revenue in Cr	ARR
1	HT 2C(i)	Govt/Aided Hospitals & Educational Institutions	510	96.11	72.96	7.59	606	131.14	89.6	6.83
2	HT 2C(ii)	Hospitals and Educational Institutions other than covered under HT 2©(i)		144.17	107.38	7.45		138.91	119.61	8.61
Total			510	240.28	180.34	15.04	606	270.05	209.21	15.44

- Under **HT 2 (c)(i) and HT 2 (c)(ii)** , total consumption is only **240.28 Mu**. Actual rate is **INR.7.75** which is very high. It may be reduced keeping in view that hospitals and educational institutions are public service institutions and the total consumption is very small.
- B.PAC welcomes **CCS computed based on National Tariff policy 2016**

Voltage Level	HT 1	HT 2a	HT 2b	HT 2C	HT 4	HT 5
66kV & above	110	169	213	189	146	257
HT 11 kV or 33 kV	110	169	213	189	146	257

- The **Gap between cost of supply & tariff (Cross subsidy) is increasing which means inefficiency is increasing** as shown in the below table. This is against **Sec 62(1) of the Electricity act**

Category-wise CSS for 11/33kv consumers-only going up				
	2014-15	2015-16	2016-17	2017-18
HT2a (industry)	0.07	0.63	0.86	1.59
HT2b (commercial)	1.38	1.59	2.22	1.91
HT2c (Hosp & Edu instt)	0.65	0.93	0.96	1.47



- Today Exchange price of power even after paying CSS is on an average **10% cheaper** than BESCO tariff hence BESCO needs to optimise on the sources of power procurement
- Commission instead of allowing yearly increase in CSS should decrease it so that competition can be created for BESCO to make them efficient.
- Annual increase in cross subsidy year is not only against section 42 of the Electricity Act but also keeps BESCO inefficient by not allowing fair competition.
- We observe there is a double count in calculation of Cross Subsidy Surcharges in KERC's MYT Tariff Order 15-16 dated 2nd March 2015 resulting in demand charges being collected twice from open access consumers. We request the commission to re-work on the calculations ensuring to remove the factoring of Demand Charges from ARR
- All CSS should be shown as a line item in the electric bill, so that the consumer will know the amount he is paying under this line item. This will be a way of bring transparency in BESCO operations.

LT & HT

Abstract of revenue realization through tariff compared with approved revenue tariff (PG: 56)

SI No	Category	Approved				Actuals			
		Sales in MU	Revenue Rs. Cr	Avg Realization in Rs/Kwh	Level of Cross subsidy in % with ref to ACS	Sales in MU	Revenue Rs. Cr	Avg Realization in Rs/Kwh	Level of Cross subsidy in % with ref to ACS @ Rs. 6.44
1	LT 4(a)(i)	6739.18	1927.41	2.86	-52.01	7285.47	2044.53	2.81	-56.49%

- The approved sale was at 6739.18 Mu at revenue INR 1927.41 Cr with average realization of 2.86. The sale has gone up to 7285.47 Mu at INR. 2044.53 Cr with average realization of 2.81 with a **cross subsidy of**

56.49%. The subsidy is INR.2647 Cr. This entire amount should be paid by Govt since it is Govt's policy to give free power and not through metered power. This is no reason for consumer to pay for Govt policy decision. This should come as general revenue

Sl No	Category	Approved				Actuals			
		Sales in MU	Revenue Rs. Cr	Avg Realization in Rs/Kwh	Level of Cross subsidy in % with ref to ACS	Sales in MU	Revenue Rs. Cr	Avg Realization in Rs/Kwh	Level of Cross subsidy in % with ref to ACS @ Rs. 6.44
1	HT 2(b)(i)	2629.96	2383.23	9.06	52.04	2393.77	2353.47	9.83	52.43%
2	HT 2(b)(ii)	204.05	185.35	9.08	52.41	225.85	199.86	8.85	37.20%

- **National Tariff Policy guidelines directs to restrict CCS to 20%, for HT 2 (b)(i) and HT 2(b)(ii) the CCS needs to be bought down.**
- **BESCOM has not given details of LT4(a) Irrigation Pump sets (< 10 HP) in it's filing document. We request the commission to direct BESCOM to furnish details of this category as shown in other categories. The amount of revenue forgone needs to be quantified and displayed transparently and we propose Direct Benefit Transfer (DBT) to be done to farmers' bank from Govt.**
- **This will bring in full disclosure and ensure benefit of multiple IP sets does not accrue to a single individual. DBT of INR. 40,000 per IP for each farmer holding up to 2 ha be provided. We also proposed subsidy for dry land farmers similar to "Raita Belaku" scheme for the economic independence of dry land farmers from Karnataka State Budget 18-19**

Annual Accounts:

- **BESCOM filing document available for public does not contain the Audited Annual accounts FY 2016-17 as has been normal practice, instead only the unaudited half year accounts FY18 as on 30th Sept 2017 is attached. This may kindly be provided to public at large for their perusal.**

Calculation of depreciation

- **As indicated in the below table, BESCOM has received security deposit from consumers of INR. 3896.64 Cr and Govt contributions and grants towards capital assets treated as deferred income in the Balance Sheet**

to the tune of **INR.2441.81 cr.** Both these items total to **INR.6338.46** and need to be reduced from the cost of fixed assets and depreciation should be claimed only on the residual amount for tariff purposes

SI No	Particulars	INR Cr
1	Security deposit from consumers	3896.64
2	Total deferred Income (contributions and grants towards cost of capital assets)	2441.81
3	Total	6338.46

Specific consumption of IP Sets

- BESCOM has submitted an increase of **21620 consumers drawing power for IP sets during FY 18.**

Details	FY - 16	FY - 17	FY - 18	FY -19
No of Consumers	809170	830790	887879	902879

- For **FY 18** BESCOM has computed **specific consumption of 7980.441 units/IP/annum**
- Below table depicts the **excessive consumption by IP set consumers**

Particulars	No.
Approved consumption MU	6739.18
Average consumption MU	7980.44
Difference of Approved & Average consumption MU	-1241.26
Unit Cost of power in Rs. during FY - 17	7.03
Excess money Rs. Per unit	7,993
No of IP sets Consumers in FY - 17	830790
Excess consumption by IP set consumers Rs. in Crs	664.05

Our submission

- The commission should **disallow excess of INR. 664.05 Crs than the approved amt.** We urge the commission to direct BESCOM to collect the difference amount from Government.
- This clearly **indicates in the name of farmers an excess of INR. 664.05 Crs is being robbed.** It is obvious that in the name of farmers there is

large scale robbery of power and Government is turning a blind eye for various reasons.

- Below table summarizes excessive **Subsidy per year per unit per IP set for FY 18**

Particulars	No.
Average consumption MU	7980.44
No of IP set Consumers	830790
Total consumption of units by IP set consumers MU	664.05
Unit Cost of power in Rs. during FY - 17	7.03
Cost in Crs	4,668
No of IP sets Consumers	830790
Subsidy in Rs. per year per unit per IP set	86,826

We suggest the following:

- **Regularization of illegal IP sets should not be considered for any Cross Subsidy or tariff hike to be paid by other consumers.** Any regularization of pump sets **should be paid for fully by Government** and not by the consumers.
- The full **subsidy of INR. 4,668 Crs for IP sets to be paid by Government to BESCO** and not paid by consumers.
- Duplicate and multiple IP set per farmer should be removed to avoid subsidy to the rich.
- To bring in transparency, **Direct Benefit Transfer (DBT) to be done to farmer's bank/shadow accounts and full charges can be debit.**
- **Current cost of subsidy INR. 86,826 Subsidy to be limited to INR. 40,000 per IP set for only farmers holding up to 2 Ha.** This would be in the lines of **subsidy for dry land farmers similar to "Raita Belaku" scheme for the economic independence of dry land farmers from Karnataka State Budget 18-19**

Projections for IP sets for FY 19

LT4a	31.03.2018			31.03.2019	
	Installations	Sales in MU	Specific Consumptions in units/ip/annum	Installations	Sales in Mu
	887879	7086	7980.441	902879	7205.345

Survey of IP sets:

- The Hon'ble **Commission has directed the BESCO to conduct a survey of all IP sets**. During the FY-16 order, BESCO sought time till April 2017 to complete the GPS survey of IP sets, to enable it to arrive at the correct number of dried up/defunct/not-in-use wells, so as to take further action to deduct such IP-set installations, from its accounts.
- The Enumeration of IP sets & DTC's on GIS in 4 circles namely BRC (BRC & Ramanagara), Kolar, Tumkur & Davangere helped surmise that 11,910 IP sets out of a sum total of 8,54,356 IP sets were dried up/defunct/not-in-use.
- Since then, **BESCO is yet to implement the commission's order in the remaining 4 circles namely North, South, East & West.**

Our Prayer

- *The Commission should penalize BESCO for not following the order passed by it. The Commission has historically only penalized the consumers by increasing tariffs year on year. It is time the Commission penalizes BESCO for being non-compliant to maintain the sanctity of the Commission.*
- *The commission has been partial to BESCO and penalized helpless consumers who are subjects of a monopoly*

4. New Proposals

Increasing in billing demand for HT category

- B.PAC supports the proposal to increase in billing demand to 85% of the contract demand but variable cost of power should be bought

down to make up for increase in fixed charges. This will reduce unnecessary load.

New Tariff proposal for BMRCL

- B.PAC supports BESCO's proposal for reducing demand charges on BMRCL tariff to the average cost of supply to improve public transportation in Bengaluru and reduce pollution.

Introduction of HT incentive scheme

- B.PAC supports the incentive scheme for HT as per suggestion vii a to reduce cost of power by increased consumption and remove the telescopic charges.
- B.PAC does not agree with BESCO's proposal on meeting incremental power purchase requirement. B.PAC suggests that BESCO should start an active trading desk so that cheap power can be purchased from power exchanges to reduce the overall cost of power and use the hydel power available as a buffer to be back down so that overall cost is reduced.

Simplification of Tariff

- B.PAC supports the proposal simplification of Tariff. We propose that LT should have not more than 4 and HT not more than 2 excluding temporary line.

Determination of Tariff for FY 19 (Chapter 7, PG 139)

Our Recommendations:

- B.PAC suggest that for LT fixed charges be increase to a minimum of INR. 100/ KW and energy charges maintained at same rates except that the rates be maintained for above 200 units at rate applicable to 100-200 units.

- Increased power consumption per household is an indication of development and penalizing increased charges at higher rates is against all norms of development.
- B.PAC suggest increase in fixed charges for LT 5 – LT industries to an equal INR.100/HP and no increase in energy charges above 500 units.
- B.PAC suggests reduction in HT 2(b)(i) and HT 2(b)(ii) to incentivise more job creation through reduction in cross subsidy
- B.PAC supports CCS computed based on National Tariff policy 2016 (not more than 20%)

Voltage Level	HT 1	HT 2a	HT 2b	HT 2C	HT 4	HT 5
66kV & above	110	169	213	189	146	257
HT 11 kV or 33 kV	110	169	213	189	146	257

5. BESCOM Prayer for Leave of the Commission

General Remarks:

- For Fiscal Year 2019 the increase in sales is only 1000 Mu giving an increased revenue of about INR 486 Cr whereas the purchase of power is increasing by nearly 1200 Mu with a cost going up by INR 1400 Cr.
- B.PAC suggest more purchase of incremental power from power exchanges at around below 3.16 paise to reduce cost of power purchase and avoid any increase in tariff.
- Almost entire disclosed loss approximating INR 1375 Cr comes from increase in the cost of power purchase.

Conclusion:

BESCOM's prayer allowing to hike the average tariff by 0.82 paise across all categories should not be passed on as a burden to consumers for the following reasons:

1. Inefficient power purchase at excessive cost and overshooting the approved limits

2. **Poor collection efficiency with receivables going up to alarming rate of 8.77 months sales and huge provision of doubtful debts INR. 1173 Cr**
3. **Not controlling line losses at towns/divisions to the approved limit of 12.75%**

Sir, as an **independent regulator** please **protect the interest of citizens of Bengaluru in an unbiased manner and not the interest of BESCO**

Hence, on behalf of citizens of Bengaluru, I once again request you to kindly consider the above-mentioned points while evaluating the proposal from BESCO for increasing the power tariff for FY 19 and to **draw conclusion which will not burden the citizens of Bengaluru further.**

Thanking You

-Sd-

Revathy Ashok
Hon Managing Trustee & CEO

-Sd-

T.V. Mohandas Pai
Vice President

For,
Bangalore Political Action Committee (B.PAC)