

## APPENDIX-1

**Statement showing the Gist of objections of the consumers / Stakeholders and HESCOM's Response thereon and the Commission's Views.**

	<b>Objections</b>	<b>Replies by HESCOM</b>																				
1.	<p>The present petitions have been filed by BESCO, CESC, GESCOM, HESCOM and MESCOM for Annual Performance Review (APR) for FY18 with modification of Annual Revenue Requirement (ARR) for the FY20 to 22, and Tariff Revision Proposal for FY20 along with the proposal of open Access charges. On perusal of the petition, it is observed that DISCOMs have proposed significant increase in Additional Surcharge. IEX hereby submits its comments on the proposal of DISCOMs on Additional Surcharge in the said Petitions for kind consideration of the Hon'ble Commission.</p> <p><b><u>Discrepancy / Errors in Calculation of Additional Surcharge:</u></b> All ESCOMs except GESCOM have proposed Additional Surcharge based on the methodology adopted by Hon'ble Commission in its Order dated 14.05.2018 in OP No: 52 /2017 and connected cases. On perusal of the ESCOMs petition, following deficiencies / errors have been observed in determination of Additional Surcharge as per the methodology adopted by Hon'ble Commission.</p>	<p>HESCOM's calculation of Additional Surcharge @ 2.72 Rs/unit is correct. The total Power Purchase Cost is Rs. 7,682.31 Crs. and the Annual Revenue Requirement for FY20 is Rs. 10,007.25 Crs. which is calculated based on CAGR. The other cost is Rs. 2,324.93 Crs. (i.e. Rs. 10,007.25 - Rs. 7,682.31 Crs.). The fixed charges and variable charges are calculated based on net ARR i.e. Rs. 10,007.25 Crs. (Rs. 23,33.47 Crs + Rs. 7,673.78 Crs). The additional surcharge on open access is calculated as per section 42 (4) of the Electricity Act 2003, Clause 8.5.4 of the tariff policy, 2016, clause 5.8.3 of National Electricity Policy and Clause 11(vii) of the KERC (terms and conditions for Open Access) regulations, 2004.</p>																				
	<p>a) HESCOM:            ✓ The HESCOM has determined Additional Surcharge @ Rs 2.72/unit considering following at Page No: 49-51 of the HESCOM's reply on preliminary Observations of the Commission.</p> <table border="1"> <thead> <tr> <th align="center">Particulars</th> <th align="center">HT</th> <th align="center">LT</th> <th align="center">Total</th> </tr> </thead> <tbody> <tr> <td>Revenue for the year</td> <td align="right">1706.37</td> <td align="right">8183.00</td> <td align="right">9889.37</td> </tr> <tr> <td>Total demand Charges (FC) realized for the year in respect of EHT &amp; HT consumers (except LT)</td> <td align="right">196.00</td> <td></td> <td></td> </tr> <tr> <td>Fixed Charge recoverable as per SI no : 10 (total of EHT + HT consumers of Table -2) (except LT)</td> <td align="right">852.95</td> <td></td> <td></td> </tr> <tr> <td>Under recovery of FC from EHT &amp; HT consumers</td> <td align="right">656.95</td> <td></td> <td></td> </tr> </tbody> </table>	Particulars	HT	LT	Total	Revenue for the year	1706.37	8183.00	9889.37	Total demand Charges (FC) realized for the year in respect of EHT & HT consumers (except LT)	196.00			Fixed Charge recoverable as per SI no : 10 (total of EHT + HT consumers of Table -2) (except LT)	852.95			Under recovery of FC from EHT & HT consumers	656.95			<p>The total power purchase cost (Rs. 7682.31 Crs) is almost equal to variable cost (i.e. Rs. 7673.78 Crs) which is part of the net ARR i.e. Rs. 10007.25 Crs (Rs. 2333.47 Crs + Rs. 7673.78 Crs). The fixed and variable cost includes purchase cost, total O &amp; M expenses, depreciation, interest and finance charges etc., which is required for FY20. It would not be correct to compare the power purchase cost with total variable cost. The calculation of Additional Surcharge on Open Access for FY-20 is correct.</p>
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<p>✓ The total fixed charges to be collected i.e. Rs.852.95 (344.68+82.58+343.82) Crs has been calculated in Table-2.</p> <p><b>Table-2 (2019-20 Projection):</b></p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Unit</th> <th>110 KV &amp; 66 KV</th> <th>11 KV</th> <th>LT</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>PP Cost</td> <td>Rs.</td> <td></td> <td></td> <td></td> <td>7682.31</td> </tr> <tr> <td>Dest. PP Cost</td> <td>In Cr</td> <td>271.86</td> <td>1134.77</td> <td>6275.69</td> <td>7682.32</td> </tr> <tr> <td>% Share</td> <td></td> <td>3.54%</td> <td>14.77%</td> <td>81.69%</td> <td></td> </tr> <tr> <td>Total Fixed Charges PP</td> <td></td> <td></td> <td></td> <td></td> <td>2333.47</td> </tr> <tr> <td>Voltage wise fixed charge</td> <td></td> <td>82.58</td> <td>344.68</td> <td>1906.21</td> <td>2333.47</td> </tr> <tr> <td>Total Variable Charges</td> <td></td> <td></td> <td></td> <td></td> <td>7673.78</td> </tr> <tr> <td>Voltage wise VC</td> <td></td> <td>272</td> <td>1133.51</td> <td>6268.71</td> <td>7673.78</td> </tr> <tr> <td>Other Cost</td> <td></td> <td>82</td> <td>343</td> <td>1899</td> <td>2324.93</td> </tr> <tr> <td>Total Fixed Expenditure (FC+ Other Cost)</td> <td></td> <td>164.85</td> <td>688.10</td> <td>3805.45</td> <td>4658.40</td> </tr> </tbody> </table>					Particulars	Unit	110 KV & 66 KV	11 KV	LT	Total	PP Cost	Rs.				7682.31	Dest. PP Cost	In Cr	271.86	1134.77	6275.69	7682.32	% Share		3.54%	14.77%	81.69%		Total Fixed Charges PP					2333.47	Voltage wise fixed charge		82.58	344.68	1906.21	2333.47	Total Variable Charges					7673.78	Voltage wise VC		272	1133.51	6268.71	7673.78	Other Cost		82	343	1899	2324.93	Total Fixed Expenditure (FC+ Other Cost)		164.85	688.10	3805.45	4658.40
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<p>✓ On perusal of the above table, it can be inferred that the figures considered by the HESCOM for determination of Additional Surcharge are not correct on account of following reasons.</p> <ul style="list-style-type: none"> <li>The total power purchase cost (Rs.7,682.33 Crs) is almost equivalent to the total variable Cost (Rs.7,673.78 Crs) which ultimately result 'the total cost of power purchase' being more than fixed + variable charge which is illogical and incorrect.</li> </ul>																																																																

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	<ul style="list-style-type: none"> <li>The total fixed charges (Rs.2333.47 Crs) is almost equal to the other charges (Rs.2324.93 Crs.) which again suggests that the figures considered in above table are not correct. Since the excel sheets provided on the Commission's website having these details have errors therefore exact amount could not be ascertained.</li> <li>The other charges consist of Transmission and Distribution charges, on perusal of Total Power Purchase Cost (Rs. 7682.31 Crs.), it is found that the Transmission cost is already considered in the Power Purchase Cost therefore, same cost cannot be considered twice.</li> </ul> <p>✓ In view of the above, it can be appreciated that there are discrepancies in the figures taken by the HESCOM for calculation of Additional Surcharge. This discrepancy should be removed while determining Additional Surcharge for HESCOM.</p>	
	<p><b>Commission's Views:</b> The Commission has dealt with in the matter in detail, in its Order dated 14th May, 2018 for imposing additional surcharge. Accordingly the additional surcharge has been determined in the relevant chapter of this Order.</p>	
2.	<p><b>Methodology of determination of Additional Surcharge;</b></p> <p>a. <b>Double charging of Transmission &amp; Distribution charges:</b> The methodology for determination of Additional Surcharge adopted by Hon'ble Commission in its order dated 14.05.2018 in OP No : 52 /2017 inter alia considers ' other cost' i.e. Transmission and distribution cost for calculation of the under recovery of fixed charges. In this regard, Hon'ble Commission may appreciate the fact open Access consumers are separately paying transmission and distribution charges including cross subsidy surcharge. Therefore, by considering 'other charges 'for calculation of under recovery of fixed cost, the transmission and distribution charges are being charged two times. Further, Discoms</p>	<ul style="list-style-type: none"> <li>The fixed charges i.e. Rs. 2,324.93 Crs. which is part of Net ARR i.e. Rs. 10,007.25 Crs. (Rs. 2,333.47 Crs. + Rs. 7,673.78 Crs.). The fixed and variable cost includes purchase cost, total O &amp; M expenses, depreciation, interest and finance charges etc., which is required for FY20. It would not be correct to compare the total fixed charges with the other charges. The calculation of Additional Surcharge on Open Access for FY-20 is correct.</li> <li>The other charges are non-tariff income such as interest on FD, Sale of Scrap, Meter reading and calibration of meter, reactive energy demanded on IPPs, Processing Fees, Misc. receipts form trading, Rental income from staff quarters, excess staff, sundry credit</li> </ul>

	Objections	Replies by HESCOM
	<p>have also considered transmission charges in power purchase cost. In this case transmission charges are being paid by OA consumers 3 times.</p> <p>Considering this anomaly in present methodology, it is requested that the transmission and distribution charges under the head 'other charges' or 'power purchase should not be considered for determination of Additional Surcharge as open access consumers are separately paying these network charges.</p> <p><b>b. Determination of Standard Capacity:</b></p> <p>The methodology adopted by Hon'ble Commission for determination of Additional Surcharge is simple calculation of under recovery of fixed charges. Para 8.5.4 of National Tariff policy 2016 provides that Additional Surcharge is applicable only when capacity is consumers to be standard. However, the methodology does not considers or determine standard capacity and its cost. The under recovery of fixed cost does not reflect that in a given time block when open access consumer was procuring power through Open Access. Discoms had standard capacity and Discom had to back down certain generating station in the time block. There is no such rational in the methodology adopted by Hon'ble Commission.</p> <p>In view of the above, to assess the case for Additional Surcharge, Hon'ble Commission is requested to analyse the generation back down data of each of the 15 min time block period along with the reason of such back down as the back down could be on account of economical, operation and technical considerations which does not account for reasons attributable than Open Access to assess the case for Additional Surcharge.</p>	<p>balance returned back, Misc. recoveries.</p>

	Objections	Replies by HESCOM
	<b>Commission's Views:</b> The Commission has dealt with the matter in detail in its Order dated 14th May, 2018 for imposing additional surcharge. Accordingly, the additional surcharge has been determined in the relevant chapter of this Order.	
3.	<p><b>Energy and Revenue Sharing by ESCOMs in Karnataka State</b></p> <p>It may be noted that as per the current practice, both the intra-state and inter-state energy purchased by each ESCOM is shared among other ESCOMs. Karnataka State Load Dispatch Centre (SLDC), in co-ordination with Southern Region Load Dispatch Centre (SRLDC), does the energy accounting for both generation and consumption of electricity-irrespective of the underlying factor whether an ESCOM is Generation or Consumption intensive.</p> <p>For Example: HESCOM and GESCOM (which are generation intensive &amp; especially RE intensive), and so are low on revenue realization as a majority of their customer base is Agricultural/Subsidized consumers. Whereas, BESCOM &amp; MESCOM are consumption intensive (and less generation intensive) and therefore, has much higher state share of Industrial and Commercial consumers.</p> <p>This is leading to a situation where BESCOM and MESCOM get high revenues due to higher proportion of Industrial and Commercial consumers, while other ESCOMs have to depend on subsidy amounts from Govt. of Karnataka (GoK). Subsidy realization from GoK often taken long time for various reasons and, as a result, the financial performance of these ESCOMs are further aggravated due to non-sharing of CSS revenue across ESCOMs, in the same proportion as the share of energy allotted. Also, the cost of generation is not being shared between the ESCOMs in proportion with the share of energy allotted. As a result, RE Independent Power Producers (IPPs), who are largely located in HESCOM &amp; GESCOM regions as they are RE-rich locations, are suffering on account of prolonged delayed payments from HESCOM &amp; GESCOM.</p>	<p>The cost of renewable energy is considerably high compared with the cost of hydel/thermal and central generation and if 100% of this RE is purchased directly by the HESCOM, the average per cost purchase of power will be higher which will be an additional burden on the consumer.</p> <p>HESCOM agrees with the suggestion made by the objector and request Hon'ble Commission to consider the suggestion of the objector.</p>

	Objections	Replies by HESCOM
	<p>Thus, to improve the finances of the RE-rich and revenue deficit ESCOMs and to make them sustainable, it is imperative to share the revenues from generation sale across the State amongst all the ESCOMs matching the energy allotments. Such an approach would augur well, as in the case of Odisha State which seems to have adopted this approach successfully.</p> <p>The proposed solution to mitigate the situation could be that PCKL (Power Company of Karnataka Limited), which coordinates energy procurement in the State with all the ESCOMs, should undertake the following steps so that RE IPPs are not disadvantaged for prolonged delayed payments from financially weak ESCOMs (like HESCOM, GESCOM, etc.)</p> <ul style="list-style-type: none"> <li>➤ All ESCOMs shall share the cost of RE generation incurred by the host ESCOM in proportion to the energy allocated to them and thus also share corresponding revenue with the host ESCOM.</li> <li>➤ The PPAs of RE generation may be swapped across all the ESCOMs equally, so that the normalization of Energy and Revenue sharing happens proportionately.</li> </ul> <p>We request the Hon'ble Commission, by using its powers u/s 23 and 94(4) of Electricity Act 2003, to issue appropriate directions to the ESCOMs in this regard.</p>	
	<p><b>Commission's Views:</b> The power allocation to the ESCOMs is being done by the GoK, who is the owner of the ESCOMs. While allocating power, the GoK has been addressing the concern to a large extent. Since the ESCOMs are independent entities, there is no scope for sharing the cross subsidies. But, while making allocation of subsidy towards IP sets, the ESCOMs, which are not getting adequate cross subsidies (due to their consumer mix), will get the maximum subsidy allocation, as can be seen that HESCOM and GESCOM get the maximum subsidy than BESCO and MESCOM. The issue thus gets addressed accordingly.</p>	
4.	<p>Due to lack of rainfall and agricultural produce this year, farmers have incurred huge loss so this increase in electricity tariff for the year 2019-20 is not justifiable and hence should be dropped.</p>	<p>HESCOM being a distribution company, purchases power from the electricity generation companies. Since, there is increase in the power purchase and other costs, it is necessary to hike the tariff to maintain the financial stability of HESCOM.</p>

	Objections	Replies by HESCOM
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted and the process of tariff determination is discussed in the relevant chapter of this Order.	
5.	Whenever the Consumers approaches for new electricity connection and the existing consumers for the change of name, HESCOM officers don't provide appropriate information and ask to get the same from the electrical contractor. So, it is requested to provide the information in the office itself.	The information for obtaining new electricity connection and the change of name is displayed in all the offices of HESCOM as a SoP banner. Consumers are requested to obtain the necessary details from the said banner for their electricity related services. HESCOM is conducting consumer interaction meetings and Lok Adalats on every 3rd Saturday of the month where apart from the consumer grievances, electrical safety and consumer rights are discussed. The parameters relating to Standards of Performance are displayed in every Sub Division/Section Offices of HESCOM and the action will be taken to made in all Sub-Division/Section Offices of HESCOM.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted.	
6.	As per the order 41 VASC 2014, Dated : 14-07-2014 it was ordered to collect Rs.10,000/- (Rs. Ten Thousand Only) as a deposit to obtain new electricity connection for the irrigation pump sets. We object the same since 80% of the farmers have small portion of the agricultural land. So, it is requested to collect Rs. 1,000/- for new electricity connection for 1HP IP set.	As per the order 41 VASC 2014, Dtd : 14-07-2014 it was ordered to collect Rs.10,000/- (Rs. Ten Thousand Only) as a deposit to obtain new electricity connection for the irrigation pump sets. Since this Order is issued by Govt. of Karnataka, your request to collect Rs. 1000/- for 1 HP IP Set will be forwarded to Govt. of Karnataka since the subject matter comes under the purview of Govt. of Karnataka.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is acceptable.	
7.	It is requested to put minimum charges in every electricity bill and deduct this from the consumption charges and issue the bill.	As requested by the objector the KERC has not passed any order regarding adjustment in minimum charges. Instead the Commission has directed to collect minimum charges, if the consumption does not exceed the fixed limit in some categories. This objection will be brought to the notice of Hon'ble Commission.

	Objections	Replies by HESCOM
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted.	
8.	It is humbly requested to exempt the Uttar Kannada District from the power cuts, since this district has electricity generation units from water and nuclear sources.	Power cuts are exempted in Uttar Kannada District as per the Orders of Govt. of Karnataka.
	<b>Commission's Views:</b> As there is surplus generation capacity available in the State, the question of power cuts will not arise. However, HESCOM shall notify any planned outages and inform the consumer about the outages well in advance, as per Commission's directives.	
9.	It is requested to fully implement the written order of General Manager to the objection raised last year as the same is not implemented.	The objections raised last year by the objector have been implemented in HESCOM. Since, you have raised the same objections, action will be taken to attend to the same.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted. HESCOM shall make sure that objections raised are attended within the specified timeline, as per the directives of Commission.	
10.	It is requested to extend the services of HESCOM bill counters from 3-days to 6-days in Kumta APMC yard.	The request to extend the services of HESCOM bill counters from 3-days to 6-days in Kumta APMC yard will be verified and appropriate action will be taken as per rules.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted. The objectors are advised to raise only tariff related issues during the hearing and the other routine issues shall be taken up with the concerned office of HESCOM.	
11.	Since revenue collection in Kumta is 100% and amounts to more than 3 Crores, it is requested to construct the new office as the old one is in devastating condition.	The directions are issued to prepare the estimates for the new office building in Kumta. The matter will be verified and action will be taken appropriately as per rules.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted.	
12.	The rebate of 50 paise which was provided to Effluent Treatment Plants (ETP) in tariff order 2017 was dropped in the tariff Order 2018. This set-back to the clean India initiative is objectionable. Hence, we request to continue the rebate to any category of the effluent treatment plants	The subsidy to be given to the consumers having Effluent Treatment Plants (ETP) is a subject matter to be decided by Hon'ble Commission. HESCOM bound by the decision which will be taken by Hon'ble Commission.



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	<b>Commission's Views:</b> The Commission in Tariff Order 2018, the Commission took note of the request made by the consumer, and considering the environmental and the social benefits from the Effluent Treatment Plants and Drainage Water Treatment plants owned other than by local bodies, situated within the premises of the installation, decided to bill the electricity consumed by the effluent plants and drainage water treatment plants ( energy recorded from the main meter or by sub-meter), at the same tariff schedule, as applicable to the installations for which the power supply is availed.	
13.	<b>Standards of Performance:</b> To provide better service to the consumers and efficient distribution of electricity, this regulation was formulated. Replacement of the faulty meters within the time prescribed is not possible for the consumer as the meters are not available in the outlets. To obtain high range tri-vector meters consumers have to wait for months. Who is responsible for this, distribution licensee? Or Outlet Owner? Information to be provided	It is the responsibility of the licensee to replace such meters for the replacement of the faulty meters, where there is no consumers fault, as per the SoP Regulation action will be taken to make sure that the meters are available to the consumers in a timely manner.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is acceptable.	
14.	<b>Energy Audit</b> Every year this matter will be shown in the application and Hon'ble Commission states about the requirement of the same. To carry the energy audit through the DTC's, the number of DTCs in HESCOM is to be specified. In the petition it is mentioned that there are 40,000 meters, there is no information for which whether the audit is being done based in the recorded units in these meters or not. Whether the arrangement of taking monthly reading is in practice, information to be provided.	In HESCOM jurisdiction by the end of September-2018, there are 2,08,185 DTCs, out of which meters are fixed for 59,705 meters and energy audit work is being done on the same. 1,37,118 DTCs are on the exclusive IP Set feeders (EIP), the details of which are being collected from the meters fixed to the 11 KV feeders, fixing of meters to 11,362 Nos of DTCs in progress and the same will be completed in this year. The readings from the DTCs to which meters are fixed are taken through modems/manually and energy audit is being done.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted. The Commission has been issuing directives in this regard, in the Review Meetings held with ESCOMs. HESCOM has to take serious measures to meter, the balance number of unmetered DTC's and it is mandatory for the HESCOM to conduct Energy Audit of all the DTC's metered and submit the energy audit reports to the Commission.	
15.	<b>Cross Subsidy</b> The point No. 6 on the page No. 21 in the preliminary Observation to the tariff petition	The calculation for the cross subsidy surcharge is done according to MYT regulations Tariff Policy-2016. In this calculation if the tariff rate is negative (-ve) then the same should be considered as '0'

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	(zero) is not understandable to us. Please explain the same.	(Zero). This is the method of calculating cross subsidy surcharge.															
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted.																
16.	<b>HVDS</b> By carrying out the HVDS work, there is a decrease in distribution loss, quality of voltage will improve, work cost benefit ratio will be in control. By citing many reasons like misappropriation in the estimates and loss of materials in the improvement works carried out by HESCOM the Commission has ordered to stop the HVDS works. It is definitely loss to the consumers and hence Rs. 10 Crores as sought by HESCOM in its capital expenditure should be rejected.	HVDS work is presently stopped as per the Orders of Commission. The objection filed will be placed before Commission and action will be taken accordingly.															
	<b>Commission's Views:</b> Due to its high cost of implementation, the Commission has directed the HESCOM not propose any new HVDS scheme, until further orders.																
17.	<b>Increase in sales in HT-2 category</b> In the FY17-18 in this category there is increase of 9224 MU in the consumption as compared to the previous year. This surprised increase in the consumption may be due to vigilance squad or due to the back billing carried out by the internal audit of the licensee. Conducting an investigation is required in this matter.	Under HT-2 category at the end of 2017 there are 2208 installations, 2463 installations at the end of 2018 and 2697 installations are estimated at the end of 2019. As compared to 2017, open access consumption is substantially reduced and the sales in this category has increased. The action will be taken to re-consider your objection															
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted and dealt with, in the relevant chapters of this Tariff Order.																
18.	<b>IP Set Calculations on page No. 144 in the petition</b>  <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">IP Set Total</td> <td style="width: 30%; text-align: right;">7,94,605</td> <td style="width: 40%; text-align: right;">--A</td> </tr> <tr> <td>IP Set authorised</td> <td style="text-align: right;">6,39,284</td> <td></td> </tr> <tr> <td>IP Set Unauthorised</td> <td style="text-align: right;">95,746</td> <td></td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">7,35,030</td> <td style="text-align: right;">--B</td> </tr> <tr> <td colspan="3">A-B i.e. 7,94,605 -7,35,030 = 58,575</td> </tr> </table>	IP Set Total	7,94,605	--A	IP Set authorised	6,39,284		IP Set Unauthorised	95,746		Total	7,35,030	--B	A-B i.e. 7,94,605 -7,35,030 = 58,575			As per page No. 46 in the tariff petition filed before the Commission, at the end of September-2018. i. IP Set Total (GIS mapped) 7,98,615 a. IP Set authorised 6,44,658 b. IP Set Unauthorised 1,53,957 ii. Existing IP Set (As per DCB) 7,03,504 iii. Authorised IP Set difference [Sl. No. ii – Sl. No. i(a)] 58,846 iv. Unauthorised IP Set difference [Sl. No. i(b) – Sl. No. iii] 95,111
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		These 58,846 Nos of IP set are mapped in GIS, RR numbers are not identified. Steps are being taken to incorporate in the DCB after verification.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted.	
19.	In the CAPEX Rs. 2-Crores has been demanded for the meters to BJ/KJ installations though in reality there are meters for the BJ/KJ installations. Investigation is required in the matter and the demand of the Rs. 2-Crores should be withheld.	Rs. 2-Crores have been sought in the CAPEX for the BJ/KJ installations. The metering to all the BJ/KJ installations are being done through contract agency and provision is made for payment of pending dues to contractors and for the replacement of the faulty meters in 2019-20.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted.	
20.	<b>Misappropriation of Rs. 4.02 Crores.</b> There is a lot of misappropriation by the employees/officers of the licensee. Investigation required in this matter and the recovery of the amount and the information of the same should be provided.	The action taken on the officers/employees for their misappropriation in the accounts is enclosed in the Annexure. All efforts are being taken to dispose these cases by taking appropriate action as per rules.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted	
21.	<b>Stopping of Power Purchase from Wind Mill Power Projects</b> Even though Hon'ble Commission had written a letter to Govt. of Karnataka to stop the power purchase from wind mill power projects, Secretary Energy Department, GoK has written a letter to Govt. of India to increase the purchase of renewable energy from 11% to 25%. The said matter was published in newspapers, information about the said matter should be provided.	The power purchase in HESCOM is being done as per the GoK/KERC/PCKL Orders. The power purchase in HESCOM through renewable sources like wind energy is being done as per the GoK/KERC/PCKL orders
	<b>Commission's Views:</b> The Commission notes the reply provided by HESCOM.	
22.	<b>Financial Management Framework</b> It is regretted to inform that the licensee has shown the negligence in implementing the Financial Management Framework which is the deciding factor in profit making decision of the licensee.	Action has been taken to carry out Financial Management Framework in O & M Urban Division, Belagavi (for Urban Consumers), O & M Division Gadag (for Urban and Rural Consumers). Further action will be taken to carry out the Financial Management Framework in all other divisions of HESCOM to bring the discipline in the financial affairs of the company as per the Financial Management Framework.

	Objections	Replies by HESCOM								
	<b>Commission's Views:</b> The Commission notes the reply given by HESCOM.									
23.	<p><b>Methods of increasing M.D. and Fixed Charges</b></p> <p>The reasons of collecting the fixed charges is clearly mentioned in Electricity Act, 2003. These charges are hiked in every tariff orders. There are no guidelines for these hikes. These hikes should not be based on KVA, KW, HP (Sanctioned Load) instead it should be based on the number of units sold and taken into account in every ARR. This will be justifiable.</p>	<p>As per the objections filed, Govt. of Karnataka has given approval for the hike in tariff, accordingly application is being filed every year for tariff revision before Commission, who has to decide for the increase in tariff.</p> <p>As per the directions from the Central Govt., State Govt. and the Commission all the distribution companies should file the petition for the revision of tariff. HESCOM has filed the petition for the revision of tariff for the FY2020</p>								
	<b>Commission's Views:</b> The reply furnished by HESCOM is not relevant. The Commission has dealt with the issue of fixed charges, appropriately under relevant chapter (6) of the Tariff Order.									
24.	<p>The number of cases registered under Section 126 of Electricity Act regarding the pending/balance amount which are before the appellate authority as on 31-12-2018, which are not yet disposed and the amount which is not yet received by the consumers should be explained.</p>	<p>The details of the cases registered by the HESCOMs Vigilance squad at the end of 31-01-2019 is as follows:</p> <table border="1"> <thead> <tr> <th>Financial Year</th> <th>No. of cases registered</th> <th>Demand (Rs. In lakhs)</th> <th>Collection (Rs. In lakhs)</th> </tr> </thead> <tbody> <tr> <td>2018-19 (at the end of January-2019)</td> <td>6,570</td> <td>872.37</td> <td>671.35</td> </tr> </tbody> </table> <p>In HESCOMs jurisdiction at the end of December-2018 there are total 44 cases registered before Appellate Authorities for which Rs. 18,43,201/- pending back billing amount are to be collected</p>	Financial Year	No. of cases registered	Demand (Rs. In lakhs)	Collection (Rs. In lakhs)	2018-19 (at the end of January-2019)	6,570	872.37	671.35
Financial Year	No. of cases registered	Demand (Rs. In lakhs)	Collection (Rs. In lakhs)							
2018-19 (at the end of January-2019)	6,570	872.37	671.35							
	<b>Commission's Views:</b> The Commission notes reply given by HESCOM.									
25.	<p>In the notification published in the newspaper regarding tariff revision, the accounts pertaining to two years are published for the FY18-19, the accounts from 01-04-2018 to 30-09-2018 are audited and from 01-11-2018 to 31-03-2019 are estimated values. As per the financial experts' opinion "estimate is approximate value". As a result, considering the audited accounts and the estimated accounts, in</p>	<p>The petition for the revision of tariff is filed only for the year FY-20. MYT reports are for the estimated power purchase for the future years and accordingly petition is filed before Hon'ble Commission.</p>								

	Objections	Replies by HESCOM
	the notification for the base year 2018-19 MYT frame work should have been accredited accordingly. The reasons for not publishing the calculations in format A-1 in the newspaper notification is not known, please explain.	
	<b>Commission's Views:</b> The Commission notes reply given by HESCOM. The HESCOM was directed by the Commission to publish the gist of tariff revision petition. The tariff application and the audited accounts are available on the HESCOM and KERC website for the stakeholders' information.	
26.	In spite of several Orders by Hon'ble Commission in its various Tariff Orders to consider the non-commercial private student hostels in to LT-2a category the same was not printed in the tariff order published by Commission. Once it is printed in the tariff order issued by the Commission the same will be reflected in the tariff booklets printed by the licensee. Hon'ble Commission should consider to take into account this category in to LT-2a category.	The tariff for the student hostel as filed in the objection will be verified and action will be taken accordingly.
	<b>Commission's Views:</b> The Commission has dealt with the issue appropriately under relevant chapter (6) of the Tariff Order.	
27.	It is requested to reject the petition based on calculation of 58% IP Set consumption out of total sales. Neither Electricity Act Section 55 nor CEA (Installation and operation of meter regulation 2006) has directed to consider the calculation of sales of energy to IP Sets through specific consumption. Whether to consider specific units is stated in Tariff Policy or National Policy is to be clarified. Hon'ble Appellate Tribunal in its case No. 108/2010 has observed the exact consumption will be known through metering of DTCs. The Commission should consider our appeal not consider application based on to the calculation of specific consumption.	Consumers are opposing to fix meters to IP sets in all Districts of HESCOM except Uttar Kannada District. The Calculations based on specific consumption is being done as per the directions of Hon'ble GoK/Commission.  The calculation pertaining to IP set is done on the sample reading basis. This calculation is required as there is strong opposition to fix the meter to the IP set. In HESCOM's jurisdiction around 60% of consumption is through the IP Sets, as many people in HESCOM's jurisdiction are dependent on agricultural activities. Due to strong opposition to fix the meters to the IP Sets, the calculation is being done based on the specific consumption.

	Objections	Replies by HESCOM
	<b>Commission's Views:</b> The Commission notes reply given by HESCOM and estimation of IP set consumption to discuss in the relevant chapter.	
28.	At assembly level in every section offices, meetings are conducted on 3rd Saturday of every month. Hon'ble Govt. of Karnataka in its order No. EN 126 VSL 2018, Dtd : 12-06-2018 has dissolved/terminated all the Vidyut Salaha Samiti's. As a result whether the Commission will reduce Rs. 50 Lakhs in the ARR is to be clarified.	While verifying your objection, it is to be noted that Vidyut Salaha Samiti was dissolved/terminated by Govt. of Karnataka vide its order No. EN 126 VSL 2018, Dtd : 12-06-2018. Quarterly Consumer Interaction Meetings are to be conducted as per the directives of the Commission. HESCOM is conducting Consumer Interaction Meetings and Lok Adalat on 3rd Saturday of every month in all its sub-divisions
	<b>Commission's Views:</b> The Commission notes reply given by HESCOM and has dealt with the issue appropriately under relevant chapter of this Tariff Order.	
29.	Rs. 1,178 Crores is the pending dues from the Govt. of Karnataka as a subsidy for the IP Set consumption and around Rs. 1,187.78 crores is receivable from IP set consumers before 01-08-2008 which was declared by Govt. as free. The action taken by the licensee for these two pending dues should be informed. As per the opinion from the auditor this is "Understatement of loss", whether the licensee is claiming loan from the banks considering these dues is to be informed.	A letter was addressed to Hon'ble Additional Chief Secretary, Energy Department, Govt. of Karnataka, Bengaluru on 12-09-2018 where in it was requested to release the subsidies relating to the IP Set and others. This subsidy amount is being used to purchase the power. No loan is taken for these amounts and HESCOM is carrying its daily financial transactions from the working capital which amounts to Rs. 325 crores.
	<b>Commission's Views:</b> The Commission notes reply given by HESCOM and Commission has dealt with the issue appropriately under relevant chapter of this Tariff Order.	
30.	Now a days HESCOM is hiring private vehicles for transportation and office use for Officers, which is costing two times higher than having company own vehicles. This extra burden is collected by consumers by hiking the Tariff rates. Hence, hiking tariff rates is objected.	HESCOM's Executive activities have increased and vehicles are essential for daily activities. As per the new provisions, new vehicles are not being purchased and private vehicles are hired on contract basis and the expenditure has come down as compared to the expenditure incurred in respect of Company vehicles. The employees cost variation in respect of Company vehicle drivers is the reason for reduction in expenditure of Pvt Vehicles. Private use Dept/ Contract vehicles has been prohibited.
	<b>Commission's Views:</b> The Commission has the reply given by HESCOM.	

	Objections	Replies by HESCOM
31.	Company is giving bonus to employees, consumers also paying their bills without fail from time to time, there is no loss in generation or distribution of electricity. The loss occurred due to un-necessary expenditure and mismanagement by HESCOM. Instead of improving efficiency in management to reduce the losses, suggesting the tariff hike is not acceptable.	HESCOM's expenditure is incurred after obtaining the prior approval of KERC/ Govt of Karnataka /Board of Directors of Company and more than 58% of Electricity is utilised by IP sets and BJ/KJ Installations. HESCOM receives subsidy in this regard. PCKL purchases power on behalf of distribution companies. HESCOM makes payment of power purchase bills as per the allocation ordered by the GoK considering the energy allocation order power generation and availability and adjusting the entire power situation of the state, Tariff revision is proposed as per the HESCOM's total revenue deficit. HESCOM denies the allegations made by the Objector. The application is relevant and appropriate and requests the to turn down the requests of the applicant
	<b>Commission's Views:</b> The Commission has noted the reply given by HESCOM. The Commission has dealt with the issue appropriately under relevant chapters of the Tariff Order.	
32.	Every year for giving good services crores of rupees invested in new schemes (like DTC Mapping) irrespective of companies loss position. Company has planned to pass the losses to the consumers	In Order to supply quality power to consumers and to reduce the distribution loss. HESCOM has under taken many projects, and the distribution loss is being reduced. For example, the distribution loss in 2008 was 25.06% and has been reduced to 14.76%, in 2018 and projects are taken up to reduce the distribution loss further. By these projects there is energy savings to the Company. Hence, HESCOM requests the Hon'ble Commission to turn down the request of the applicant.
	<b>Commission's Views:</b> The Commission has noted the reply given by HESCOM. The Commission has dealt with the issue appropriately under relevant chapter of this Tariff Order.	
33.	Every time, we complain about misappropriation in the company by the Officers, even KERC has not taken any action on the concerned Officers. By this there is a clear exploitation of honest consumers.	Enquiries have been initiated regarding the complaints made by the applicant and suitable action will be taken as per the enquiry report.
	<b>Commission's Views:</b> The Commission has noted the reply given by HESCOM.	

	Objections	Replies by HESCOM
34.	<p>For Temporary connections, when current limiters are fixed, it is not possible for consumer to use the electricity limiting to sanction load. During spot inspections by the Company staff, the current limiters are not sealed. HESCOM Official or staff, during the inspection of the installation, the connected load and sanctioned capacity of electrical appliances, penalty is being imposed. This will not be brought to the knowledge of the consumer. As per the KERC rules and regulations the current limiters have to be sealed and penalty cannot be imposed on sealed limiters. Hence, it is requested the Commission to bring the limiter sealing in practice. KERC should not hike the Tariff Rates for unnecessary expenditures made by the Company. Hence, I object the tariff hike.</p>	<p>As per the objection made by the Consumer, Circular has been issued to seal the current limiter duly taking suitable action</p>
	<p><b>Commission's View:</b> The Commission noted the reply given by HESCOM. It is the primary duty and responsibility of the HESCOM, to seal the current limiter. Responsibility should be fixed on the concerned for the lapses of this kind.</p>	
35.	<p>Every year HESCOM is hiking tariff since the day HESCOM is established. Among all ESCOM's GESCO is facing a maximum loss, even then they have proposed Tariff Hike of Rs. 0.9 per unit. But HESCOM has proposed for Rs. 1.67 hike per unit. HESCOM is not concerned about its consumers and not making any efforts in minimizing the losses, this is the fate of Consumers. As the HESCOM is monopoly in the sector, it is exploiting the consumers. Hence, we request the KERC to take necessary action</p>	<p>HESCOM has to purchase the power from various sources and distribute to its consumers. Due to increase in the cost of power purchase cost, other expenditures, the hike is required to maintain the financial stability of HESCOM. Hence HESCOM has proposed the Tariff hike.</p> <p>As per the direction issued by Central Govt. State Govt. and KERC from time to time, all the ESCOMs have to file petition before the KERC every year. Hence, HESCOM has filed the petition for Tariff hike for the FY-20.</p> <p>In HESCOM more than 58% consumption is for IP set and BJ KJ installations, which is subsidized by GoK. On behalf of all the ESCOMs, depending on the source &amp; availability of power generation, PCKL distributes the % share of Energy to all the ESCOMs. As per the shares allotted the power purchase costs are paid. Even if the Power is not purchased from the generators, HESCOM has to pay the power purchase cost as per the</p>



	Objections	Replies by HESCOM
		allocation. Depending on the availability of Energy projection from all the source of the State the Tariff hike is proposed.
	<b>Commission's Views:</b> HESCOM needs to review its reply in respect of payment made to generators towards the power not purchased from the generators, as the objector requires specific reply.	
36.	As per the Electricity Act 2013 section 24 Electricity licensee should provide un-interrupted Power supply to the consumers and licensee should implement the directions issued by KERC. Failing which the KERC has to cancel the licence and appoint administrator. Company has failed in providing continuous un-interrupted power supply. It comes to the notice through petition that KERC directions are not implemented. In view of this new administrator has to be appointed	HESCOM is distributing electric supply as per the Electricity supply 2003 regulation. HESCOM is making all efforts to provide good quality power supply to all the classes of consumer ie. Domestic, Commercial, Industrial, IP Sets etc. The Power Supply is arranged as per the GoK Orders i.e. 24 Hrs of p/s to all the consumers other than IP sets. (except unavoidable situation there are interruption is power supply) HESCOM is making all its efforts to give un interrupted power supply to the consumer
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted.	
37.	Company has no transparency in management decisions, responsibilities, duties of directors, recruitment, meetings conducted by administrator Office is not available to consumers. Company is not observing the accounting standards. Company is not concentrating towards fixed assets, not monitoring whether debt repayment to the banks are made or not. Company is not interested in implementing computerisation for financial transactions, this kind of management will come forward for betterment of services is doubtful. If the management is not tightened company will face the losses. It should not happen that the consumers have to pay penalty. Considering all these KERC has to take action immediately	The activities of Board of Directors, duties, responsibilities and recruitment are carried out in transparent manner. The Consumers interaction meeting & Vidhyuth Adalat are being conducted regularly every 3rd Saturday of the month. For the consumer awareness the SOP & CGRF notifications have been displayed in all the Offices of HESCOM. All financial transaction of HESCOM urban areas are implemented in R-APDRP software and transaction of Rural areas are implemented in Web based TRM application. There is clear transparency in all financial transactions of HESCOM.  The discrepancy in audit report will be verified and suitable action will be taken.
	<b>Commission's Views:</b> The Commission notes the reply provided by HESCOM.	
38.	It is doubtful that M/s Priyadarshini Jurala Hydro Electricity Project Limited have proper documents for implementation of	As per the GoK order dated : 04.05.2010 and 23.09.2013 & PCKL Order No : PCKL/A12/508-V2/2014-15/5068-75 dated : 28.03.2017, on behalf

	Objections	Replies by HESCOM
	scheme for which HESCOM has invested of Rs. 14 Crores. KERC has to inspect the document for permission, investing and profits made and requested the Commission to inform HESCOM for providing documents	of all the ESCOMs PCKL has invested 70 Crores to M/s. Priyadarshini Jurala Hydro Electric Project Ltd., HESCOM share of 14 Crores
	<b>Commission's Views:</b> The Commission has noted the reply provided by HESCOM. Jurala Hydro Electricity Project Limited is joint investment project of Government of Karnataka and Telangana (erstwhile AP). The project is being implemented as per the MOU signed between the two Governments, for mutual benefits of both the States.	
39.	From June-2012 to June-2017 company has collected Rs. 12.44 Crores as service tax. It has paid the same amount on 31-03-2018. As the payment is delayed the interest and penalty arising has to be paid which is mandatory. The Company has not cleared how much interest and penalty has to be paid. As per the obligation, the HESCOM Officers responsible for non-payment of service tax. HESCOM has not taken any action against these Officers. It is brought to the notice of the Commission earlier, that service tax collected from consumers is not paid within scheduled time therefore penalty is arisen. Hence, the Company license has to be cancelled	The supervision charges for the period from 1.04.2011 to 30.06.2017 were collected as per norms. The guidelines regarding collecting service tax was not clear, hence the service tax was not collected from the consumer. Further according to the summons Dtd:28.3.2018 issued from the Central Excise & Service Tax Departments, the service tax collected from the consumers. The interest and late fee was not collected from consumers. Further clarification is sought from the Senior Intelligence Officer, Directorate General of GST Intelligence, Bengaluru regarding collection of interest and late fee for the period from 1.04.2011 to 30.06.2017 and 19.04.2018 and action will be taken accordingly.
	<b>Commission's Views:</b> The Commission has noted the reply furnished by HESCOM and direct HESCOM to take appropriate action as per Rules/ Regulations to settle the matter.	
40.	In Uttara Kannada District more than 9,000 nos. of modems, SIMs, thread through meters fixed, but this is not functioning correctly. The funds towards this is not advantageous	In Uttar Kannada district more than 9,000 nos of Thread through meters were fixed, but due to network problem some of the meters are not working. In this regard HESCOM has directed the agency for rectifying the same.
	<b>Commission's Views:</b> The Commission notes the reply given by HESCOM. The Commission directs the HESCOM to ensure that any investments made shall serve its purpose in the interest of the consumers. Accordingly, HESCOM shall see that modems/SIMs/meters which are not working, are rectified and energy audit is done based on the reading obtained from such DTCs.	
41.	In Uttara Kannada District more than 10000 households yet to be electrified. The 10 households in Hanumanti village of Sirsi	A letter is addressed vide letter no. Sirsi / AEE(o)/AE(T)/2017-18/4085-86 dated:-29.11.2017 to the Executive officer, Taluk Panchayth Sirsi for

	Objections	Replies by HESCOM
	taluka, Sirsi Kumta State highway is still not provided with are electricity. Hence it is requested Hon'ble Commission to take action as per Electricity Act 2003 of section 142	furnishing the list of beneficiaries that have not availed power supply to their installation. Accordingly action will be taken
	<b>Commission's Views:</b> The Commission notes the reply given by HESCOM. The Commission directs the HESCOM to take follow up action with the concerned department and electrify the un-electrified households, if any, at the earliest.	
42.	Even after directions issued from KERC from time to time electrical accidents are increasing. Without providing enough safety devices to the power men/staff such accidents are happening. There is no value for loss of animals and human beings.	<p>The Hazardous locations are being identified and all efforts are being made to correct the hazardous locations. The progress of such incidents are reviewed seriously at the Division/Circle/zonal and corporate level meeting. Safety devices were distributed to the linemen's (such as tool kits, safety belts, rain wear, rubber hand gloves, hickory rods, safety helmets, safety Goggles shoes)</p> <p>Following works were done in order to reduce electrical accidents</p> <ul style="list-style-type: none"> <li>➤ Providing intermediate poles in lengthy span – 2364 Nos</li> <li>➤ Replacement of Broken /Deteriorated poles – 1248 Nos</li> <li>➤ Shifting of DTC to load centre: 313</li> <li>➤ Replacement of deteriorated conductor:- 183.181Km</li> <li>➤ Shifting of HT/LT lines: 35.77Km</li> <li>➤ DTC Earthing: -58nos</li> </ul> <p>Replacement of Conductor:</p> <ol style="list-style-type: none"> <li>1. 11KV line: -A tender was called for 14nos of feeders (62.8Kms) for a replacement conductor. The work completed for 3 Nos of feeders (18.48Kms) and remaining work is under progress.</li> <li>2. LT line: A tender was called for 281nos. of feeders(496.1Kms) for a replacement conductor. The work completed for 29 Nos of feeders (64.1Kms) and remaining work is under progress.</li> </ol>
	<b>Commission's Views:</b> The Commission takes note of the reply furnished by HESCOM. The Commission is also reviewing this aspect in Quarterly Review Meeting. The Commission directs	

	Objections	Replies by HESCOM
	the HESCOM to ensure that enough safety devices are provided to the power men and staff and rectify the hazardous locations.	
43.	The Company has not paid the electricity purchase cost within schedule time, for this reason, the interest of Rs. 115.42Crs payment is being made. Hence, it is requested the Commission not to give chance for HESCOM for paying such interest.	Hon'ble KERC has approved the Tariff Hike for eliminating revenue deficit. HESCOM has to make immediate payments to UPC & KPC. HESCOM is facing financial inflation issue. The amount from the Govt. installations are not paid within scheduled time, due to this payment for electricity purchase is delaying. Therefore it is requested the Commission to reject the objection
	<b>Commission's Views:</b> The Commission has noted the reply given by HESCOM. The Commission, in its tariff Orders, is not allowing interest on belated payment on power purchase. The Commission has dealt with this issue appropriately under chapter-5 of this Tariff Order.	
44.	The Company has paid Rs.448.27 Crs towards P & G trust, the details of calculation is not clear. The percentage of amount to be paid has to be decided by actuary. Company is not giving any value for amount collected from consumers	KPTCL & HESCOMs Pension and Gratuity Trust will appoint actuaries and consultants for calculation of actuarial Validation, based on the which the payment is being made to KPTCL and ESCOMs pension and Gratuity Trust
	<b>Commission's Views:</b> The Commission has noted the reply given by HESCOM. The Commission has dealt with the issue appropriately under relevant chapter-5 of the Tariff Order.	
45.	Hon'ble Commission has approved Rs.4,966.95 Crs for Electricity Power Supply on 11.04.2018 but HESCOM has purchased electricity of Rs.5,803.83 Crs. HESCOM has violated the Commission's Orders.	The power supply is arranged as per the GoK direction i.e. 24hrs power supply to the Urban area and 7 hrs. 3 phase and 4 hrs single phase to rural area (except unscheduled interruption ). Day by day the number of consumer are increasing, the Demand is also increased, thus resulting in more power purchase
	<b>Commission's Views:</b> The Commission has noted the reply given by HESCOM. The Commission has dealt with the issue appropriately under APR chapter of the Tariff Order.	
46.	Hon'ble Commission had allowed the Company to collect Rs.2 paise per unit for the last three months of 2018 and from 2019 Rs.4 paise per unit as Fuel Adjustment Charges from consumers. Even Re.1 per unit collected is sufficient to recover the loss. The details of income in this regard HESCOM are not provided.	The Commission approves the rate depending on the Fuel expenditure and other cost. Later on due to financial inflation and due to difference in purchase of Fuel Cost, Commission as per regulation for every 3 months Fuel cost will be adjusted and the petition is submitted in this regard. HESCOM is not benefiting from this income.

	Objections	Replies by HESCOM
	<b>Commission's Views:</b> The Commission accepts the reply provided by HESCOM. The Fuel Adjustment charges are permitted to be collected towards increase in fuel cost beyond the approved fuel cost. Hence the same is a pass through and not an income to HESCOM.	
47.	HESCOM Employees are availing free electricity supply of 100 units. The percentage of free electricity details are not provided. The consumer has a right to know who will bear the expenses of the free electricity provided. The company is hiding the details of free electricity consumption category aggregated	As per Industrial Tribunal Act, the details of free power to employees under Domestic Lighting LT-2A tariff are as under: 0 to 200 units ----- free 201 to 280 units-----10 paise/unit 281 to 400 units-----182 paise/unit 401 and above as per existing tariff rate The employees appointed after 08.05.1997 are not eligible for availing free power supply.
	<b>Commission's Views:</b> The Commission noted the reply provided by HESCOM.	
48.	For some of the consumer's electricity supply is permanently disconnected, from such consumers Rs. 24,86,16,722 has to be collected in the year 2017, in the year 2018 the amount has increased to Rs.30,10,43,792. The details from whom such big amount is to be collected are not available. For normal consumer, delay in payment for one month within scheduled time the power supply is disconnected. In this scenario accumulation of such a large amount is shocking. Earlier names of defaulters for non-payment of electricity bill were published in news-papers. Why such action is not being taken now a day? Hon'ble Commission has to take notice of these observations and take action immediately	Every month the revenue review meeting is conducted at Division, Circle, Zonal, Corporate Office. The highest priority is given for collection of revenue; action is being taken against Officers whose revenue collection is less than target fixed. HESCOM is not giving any relaxation for revenue collection. Action will be taken up as per rules and regulations for recovery of arrears.
	<b>Commission's Views:</b> The Commission directs the HESCOM to take action in accordance with "Conditions of Supply of Electricity of Distribution Licensees in the State of Karnataka" .	
49.	Now a day's online payments are happening. Bills can be paid through online. The rebate is available when paid online and some amount will be reimbursed. But while making electricity payment to HESCOM through online, more than bill amount has to be paid. This is the another face of the exploitation of Company	The issues related to online payment is concerned to the respective private companies who are providing the online services. The extra cost paid by the consumer for online payment may be service charges of the respective company who are providing online services. It will be requested to Commission for payment of service charges

	Objections	Replies by HESCOM
		(extra charges) from HESCOM to encourage digital Payment.
	<b>Commission's Views:</b> The Commission, in its previous Order, has already provided for meeting the cost of online payment up to Rs.2000 per consumer.	
50.	As per the Govt direction (No : EN 34 PSR 2008 Dtd : 19.08.2010 ) the amount of Rs.53.66 Crs reimbursed. The Company has failed to reimburse the amount. Similarly, the amount of Rs.341.99 Crs (RE Loss) has to come from Govt. Company is not disclosing, how much bill payment is yet to be collected for Suvarana Soudha in Belagavi District. If the due amount collected such a loss for HESCOM could not have happened	Every month Revenue Review Meeting is conducted at Division, Circle, Zonal, Corporate Office. The highest priority given for collection of revenue, action is being taken against Officers whose revenue collection is less than target provided. HESCOM is not giving any relaxation for revenue collection. The electricity bill of Suvarana Soudha installation of Belagavi on January 2019 is Rs. 42,93,541. Action will be taken up as per rules and regulations for recovery of arrears
	<b>Commission's Views:</b> The Commission directs the HESCOM to act in accordance with "Conditions of Supply of Electricity of Distribution Licensees in the State of Karnataka" .	
51.	Company has invested Rs.2.51 Crs. in PCKL and Rs.14.00 Crs in Priyadarshini Jurala Hydro Electric Project. The details of profit is not available from these investments	HESCOM has invested in PCKL and Jurala Hydro Electric Projects as per GoK Order and the details of benefit will be obtained from PCKL and same will be submitted.
	<b>Commission's Views:</b> The reply provided by HESCOM is not relevant. Jurala Hydro Electricity Project Limited is a joint investment project of Government of Karnataka and Telangana (erstwhile AP). The project is being implemented as per the MOU signed between the two governments, for mutual benefits of both the states.	
52.	<b>Higher ARR for FY-2018:</b> As per the Annual Performance review for FY-2018, HESCOM has proposed for truing up ARR of Rs. 7,984.92 Crs and total income of Rs. 7007.61 Crs against approved ARR of Rs. 6,738.76 Crs and total income Rs. 6,247.24 Crs as approved in Tariff Order 2017. It is observed that HESCOM has proposed for increase in the income by 12.17% but at the same time it has proposed for drastic increase in ARR by 18.49% as against the approved Tariff Order 2017.	<b>Higher ARR for FY-2018</b> HESCOM has not proposed any modification of ARR of FY18 in the present petition, as the Hon'ble KERC has already approved and the tariff hike has been ordered Dtd : 14-05-2018 which is currently charged to the consumers w.e.f. 01-04-2018 in FY-19

	Objections	Replies by HESCOM																
	From abstract of ARR for FY18, proposed truing up it is observed that net ARR requirement is higher against approved ARR due to below details as per S. No. 2, 3 & 4																	
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted and the process of tariff determination is discussed in the relevant chapters of this Order.																	
53.	<p><b>Higher ARR considerations is due to incurring expenditure other than that approved in last Tariff Order 2017:</b></p> <p>We observed that ARR has increased by Rs. 127.39 Crs. due to below non-approved expenses leading to increase of 1.89% then the approved ARR as per Tariff order 2017.</p> <table border="1"> <thead> <tr> <th>Sl. No.</th> <th>Particulars</th> <th>As approved</th> <th>As per the Audited Acts</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Extraordinary items</td> <td>0</td> <td>102.9</td> </tr> <tr> <td>2</td> <td>Other Debits</td> <td>0</td> <td>25.49</td> </tr> <tr> <td>3</td> <td><b>Total (Crs.)</b></td> <td><b>0</b></td> <td><b>127.39</b></td> </tr> </tbody> </table>	Sl. No.	Particulars	As approved	As per the Audited Acts	1	Extraordinary items	0	102.9	2	Other Debits	0	25.49	3	<b>Total (Crs.)</b>	<b>0</b>	<b>127.39</b>	<p><b>Higher ARR considerations is due to incurrences other than approved in last Tariff Order of 2018:</b></p> <p>It is pointed that, the KERC will not approve any amount under (1) Extraordinary Items (2) Other debits, which are only considered in the Annual Performance Review with reference to Audited Accounts. But HESCOM, as a procedure has to bring it to the kind notice of the Commission about the projections.</p> <p>KERC has not approved any amount under extra ordinary items. But HESCOM has claimed the amount as it is an extra burden on HESCOM and requested for pass on to the consumers</p>
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		Objections		Replies by HESCOM																																								
54.	<p><b>Higher ARR considered due incurring more expenses than approved, in last Tariff Order of 2017:</b></p> <p style="text-align: center;"><b>Rs. in Crores</b></p> <table border="1"> <thead> <tr> <th>Sl. No.</th> <th>Particulars</th> <th>As approved</th> <th>As per the Audited Acts</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>R &amp; M Expenses</td> <td rowspan="3">744.36</td> <td>58.48</td> </tr> <tr> <td>2</td> <td>Employee Expenses</td> <td>687.72</td> </tr> <tr> <td>3</td> <td>A &amp; G Expenses</td> <td>127.88</td> </tr> <tr> <td><b>4</b></td> <td><b>Total O &amp; M Expenses</b></td> <td><b>744.36</b></td> <td><b>874.08</b></td> </tr> <tr> <td><b>5</b></td> <td><b>Depreciation</b></td> <td><b>130.04</b></td> <td><b>149.03</b></td> </tr> <tr> <td>6</td> <td>Interest &amp; Finance Charges</td> <td></td> <td></td> </tr> <tr> <td>7</td> <td>Interest on Loans</td> <td>180.23</td> <td>291.27</td> </tr> <tr> <td>8</td> <td>Interest on belated payment of IPP</td> <td>0</td> <td>115.42</td> </tr> <tr> <td><b>9</b></td> <td><b>Total Interest and Finance Charges</b></td> <td><b>180.23</b></td> <td><b>406.69</b></td> </tr> <tr> <td><b>10</b></td> <td><b>Total (4+5+9) (Crs)</b></td> <td><b>0</b></td> <td><b>127.39</b></td> </tr> </tbody> </table> <p>Due to above, ARR has increased by Rs. 375.17 Crs in the FY-2018 an increase of 5.57% against approved ARR as per Tariff Order 2017.</p> <p>We request to HESCOM for implementing strongly various cost saving initiatives to control the above expenses and charges as this cost are contributing to 50% of proposed deficit</p>	Sl. No.	Particulars	As approved	As per the Audited Acts	1	R & M Expenses	744.36	58.48	2	Employee Expenses	687.72	3	A & G Expenses	127.88	<b>4</b>	<b>Total O &amp; M Expenses</b>	<b>744.36</b>	<b>874.08</b>	<b>5</b>	<b>Depreciation</b>	<b>130.04</b>	<b>149.03</b>	6	Interest & Finance Charges			7	Interest on Loans	180.23	291.27	8	Interest on belated payment of IPP	0	115.42	<b>9</b>	<b>Total Interest and Finance Charges</b>	<b>180.23</b>	<b>406.69</b>	<b>10</b>	<b>Total (4+5+9) (Crs)</b>	<b>0</b>	<b>127.39</b>	<p>It is pointed out that the conditions prevailing at the time of Approval of ARR are different from the conditions at the time of filing the present petition. Hence, the APR requires modifications and the same has been filed before KERC as per procedure, to validate the expenditure with reference to audited accounts</p>
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55.	<p>Increase in Power Procurement Cost for FY-18</p> <p>It has been observed that Power Procurement Cost comprise around 79.46% cost of ARR and hence any deviation/incorrect consideration of Power</p>	<p><b>Increase in Power Procurement Cost for FY-18 :</b></p> <p>The Power Purchase Cost was proposed as per the expected availability with cost provided by PCKL and was approved by KERC with modification. But practically the power cost has changed with an increasing trend. The purchase</p>																																										



	Objections	Replies by HESCOM
	<p>Procurement cost will adversely affect the consumers.</p> <p>While referring Power Procurement cost of HESCOM for FY18, we observed that Power Procurement cost for FY18 is Rs. 6344.85 Crs. against the approved cost of Rs. 5507.82 Crs. This means there is increase of around 837.03 Crs in power procurement cost for FY18 in comparison to approved cost and ARR has increased by 12.42%.</p> <p>We request HESCOM to relook into the power cost as this is contributing to 85.64% of the proposed deficit</p> <p>We therefore suggest following to control power purchase expenditure of HESCOM.</p> <ol style="list-style-type: none"> <li>i. Suitable mechanism/guidelines to be evolved to avoid costly power purchase during non-performance of KPCL stations.</li> <li>ii. HESCOM needs to follow Merit Order Dispatch during power procurement</li> </ol>	<p>of short term power will add to the increase in purchase cost. In order to meet the growing demand for power than the KERC approved quantity, the cost of purchase of power has been increased.</p> <p>The objector has made a couple of suggestions to control power purchase. HESCOM welcomes the suggestions and will review the same.</p>
	<p><b>Commission's Views:</b> The reply furnished by HESCOM is noted and the analysis on power purchase is discussed in the relevant chapters of this Order.</p>	
56.	<p>There is no need for any Tariff Hike for the following reasons:</p> <p>While referring ARR approval for the year FY18, we observed that HESCOM has realized revenue of Rs. 6887.54 Crs against approved of Rs. 6092.87 Crs, which is 13.04% higher than approved.</p> <p>In addition, expenses of interest on working capital and consumer deposit have also decreased to 50% of actually approved expenses as per Tariff Order 2017.</p> <p>With the continued tariff rate, decrease in the expenses with various initiatives like implementing good practices, new technologies, buying cheap solar power</p>	<p>HESCOM does not agree with the contentions for the following reasons:</p> <ol style="list-style-type: none"> <li>I. Tariff Hike is dependent on input Power Purchase Cost, O &amp; M Cost, Establishment Cost, etc. Further, it depends on the Hydro Thermal Mix and subsidy given by the Govt. The power purchase cost is based on the average cost intimated by KPTCL and the rate is validated by the Commission.</li> <li>II. Regarding improving the quality of power supply, the works of strengthening the distribution system, providing new distribution transformers, old lines are being replaced, carried out the pre monsoon maintenance</li> </ol>

	Objections	Replies by HESCOM
	<p>and deduction of other expenses, there will be no need for hike in tariff.</p> <p>In last tariff order, HESCOM has already increased the Contract Demand charges by Rs.20/- and moreover 85% of the contract demand is being charged in billing unlike earlier 75%. We strongly propose that the Contract demand charges should be reduced by Rs. 20/- per KVA and 75% minimum billing on fixed charges should be imposed.</p> <p>In ToD, both Morning &amp; Evening hours of 6 to 10 are considered as peak hours and additional per unit charges are imposed. We propose to consider evening slot only as peak hours.</p> <p>Recently Taxes are escalated from 6% to 9%. This is not even mentioned in the bill. Earlier "tax @ 6%" was clearly mentioned but HESCOM themselves are not convinced to mention "tax @ 9%" and simply reduced the text as "tax". We opine that this is not fair for any consumer and propose to reduce &amp; normalize the same.</p>	<p>and billing has been computerised, etc., are being carried out and every effort is made to improve the quality of power supply.</p> <p>III. The existing revenue from HESCOM is not sufficient to cover Annual Revenue Requirement, the revision of tariff is proposed.</p> <p>IV. The demand for electricity is increasing more than supply. Further, power from hydel sources is reducing, compelling the HESCOM to buy costly power. Hence, the tariff hike is needed.</p> <p>The issue is policy matter of GoK and does not come under the purview of HESCOM. However, HESCOM opposes the suggestion. The Charges are payable by the consumers towards expenditure incurred by the company for creating infrastructure, providing quality of service etc. The existing revenue from HESCOM is not sufficient to cover expenditure incurred by the company.</p> <p>ToD, both Morning and Evening hours of 6 to 10 are considered as peak hours and additional per unit charges are imposed. It is proposed to consider evening slot only as peak hours.</p> <p>The issue is policy matter of GoK and does not come under the purview of HESCOM.</p>
	<p><b>Commission's Views:</b> The reply furnished by HESCOM is noted and the process of tariff determination is discussed in the relevant chapters of this Order. The issue relating to tax shall have to be taken up with the Government.</p>	

	Objections	Replies by HESCOM
57.	<p>a. On global front, Automobile sector is already undergoing tough business challenges and with increase in any input commodity, our operations will be dilemma.</p> <p>b. The industries in the Karnataka state are facing hardship due to unscheduled power cuts and struggling to manage their production and growth.</p> <p>c. HESCOM is purchasing power at cheaper rates from various independent power producers apart from State owned generation and Hydro/renewable power plants. This should also be reflected in the power costs being charged by HESCOM.</p> <p>d. The HESCOM should improve their efficiency further by reducing Distribution losses &amp; curbing the pilferage of power, as the same will take care of its revenue deficit.</p> <p>e. The HESCOM should control their Administration and Distribution costs and</p>	<p>a. HESCOM is a service provider in electricity sector. In order to maintain its financial balance, tariff hike is very essential. HESCOM has proposed the hike on all categories of consumers. HESCOM functions on the principle that any loss or profits are to be shared with the consumers.</p> <p>b. The reasons for unscheduled power cuts are many. The breaks down may be due to natural conditions, technical break down etc. HESCOM is striving hard to minimise the power interruptions. The conditions beyond the control of HESCOM are forcing for unscheduled power interruptions. HESCOM is making all efforts to cope-up the situation.</p> <p>c. The full details of source-wise power purchase with fixed charges, variable charges etc., is shown in the D-1 format of the application.</p> <p>d. HESCOM has constantly been trying to bring down the loss by taking required measures. The percentage of distribution loss has come down from year to year.</p> <p>It is not only the distribution loss that contributes to the revenue gap. There are many other reasons like increase in power purchase cost; O &amp; M cost, Capex, etc. HESCOM is delivering reliable quality power. HESCOM is carrying out maintenance works and taking up new works for strengthening the distribution network to keep up pace with consumption pattern of the future.</p> <p>e. The administration and Distribution Cost are very well controlled in HESCOM.</p>

	Objections	Replies by HESCOM
	<p>also facilitate adequate infrastructure for efficient functioning.</p> <p>f. Incentives shall be given to the industries with high power factors and to be treated them differently/ benchmarked.</p>	<p>f. HESCOM is not in favour of allowing incentive for maintaining higher power factor because the high power factor is beneficial to the consumers himself only.</p>
	<p><b>Commission's Views:</b> The reply furnished by HESCOM is noted and the process of tariff determination is discussed in the relevant chapter of this Order</p>	
58.	<p>As per Regulation 2.7.1 of MYT Regulations 2006, an application for determination of Tariff for any financial year shall be made not less than <u>120 days before the commencement of such financial year</u>. This should have been filed on or before 30<sup>th</sup> Nov 2017 which has not been done.(Done on 31-12-2018) On this count this Application is not maintainable.</p>	<p>HESCOM has filed the application before KERC on 30.11.2018 only, for approval of APR for FY-18, approval of revised ARR &amp; ERC for FY-20 and Tariff Petition of FY20.</p>
	<p><b>Commission's Views:</b> The HESCOM has filed its application on 30.11.2018.</p>	
59.	<p>HESCOM should have clearly indicated steps taken for improvement of efficiency since the date of previous Order and earlier orders issued by Hon'ble Commission indicating the <u>efficiency gains</u> of HESCOM, which could be ultimately transferred to the consumers proportionately. In the absence of any specific gains the application is <u>not maintainable</u>.</p>	<p>HESCOM has transferred the efficiency gains to the consumers duly following the directives set by KERC. They are to be observed in terms of loss reduction, effective implementation of Capex programme, quality power supply etc.</p>
	<p><b>Commission's Views:</b> The Commission has taken note of the reply by HESCOM. The Commission has dealt with the issue appropriately under relevant chapters of this Tariff Order.</p>	

	Objections	Replies by HESCOM																																		
60.	<p>HESCOM has stated that the Gap for FY 20 is Rs1980.09 Crores (page-179) which includes Rs.977.31 Crores being the deficit of FY-18 and Rs.1002.79 Crores being the deficit of FY-20) and hence has requested Commission to hike the tariff by 167 paise per unit for all category of consumers.</p> <p>Growth of installations is stated to be 9.49%. But the growth of sales is only 3%. This is a clear indication that HT consumers are leaving the grid due to high HT tariff. If HT tariff is not reduced many more HT Consumers may leave. This is a serious matter. This should be considered by the Commission.</p>	<p>The objection is wrongly stated, there is increase in HT-2a sales due to addition of 70 nos. of more installations added to this category</p> <p>The energy sales growth rate of FY18 comparing with FY17 is as follows</p> <table border="1" data-bbox="878 422 1349 667"> <thead> <tr> <th colspan="2">Percentage of growth rate</th> </tr> <tr> <th>Category</th> <th>FY-18 growth over FY-17</th> </tr> </thead> <tbody> <tr> <td>HT-1</td> <td>8.62</td> </tr> <tr> <td>HT-2a</td> <td>19.14</td> </tr> <tr> <td>HT-2b</td> <td>0.98</td> </tr> <tr> <td>HT-2c</td> <td>11.70</td> </tr> <tr> <td>HT-3a &amp; b</td> <td>19.00</td> </tr> </tbody> </table> <p>The No. of installations growth rate of FY18 comparing with FY-17 is as follows,</p> <table border="1" data-bbox="992 741 1385 1058"> <thead> <tr> <th colspan="2">Percentage of growth rate</th> </tr> <tr> <th>Category</th> <th>FY-18 growth over FY-17</th> </tr> </thead> <tbody> <tr> <td>HT-1</td> <td>15.64</td> </tr> <tr> <td>HT-2a</td> <td>11.61</td> </tr> <tr> <td>HT-2b</td> <td>12.45</td> </tr> <tr> <td>HT-2c</td> <td>9.52</td> </tr> <tr> <td>HT-3a &amp; b</td> <td>14.60</td> </tr> </tbody> </table> <p>The sales and number of installations growth of HT is increasing year on year, as shown in the above table.</p> <p>The details of HT-2a,</p> <table border="1" data-bbox="967 1209 1411 1413"> <thead> <tr> <th>Year</th> <th>Sales by the HESCOM -MU</th> </tr> </thead> <tbody> <tr> <td>2016-17</td> <td>843.88</td> </tr> <tr> <td>2017-18</td> <td>1005.39</td> </tr> </tbody> </table> <p>The HT-2a sales increased due to addition of 70 more installations during FY-18.</p>	Percentage of growth rate		Category	FY-18 growth over FY-17	HT-1	8.62	HT-2a	19.14	HT-2b	0.98	HT-2c	11.70	HT-3a & b	19.00	Percentage of growth rate		Category	FY-18 growth over FY-17	HT-1	15.64	HT-2a	11.61	HT-2b	12.45	HT-2c	9.52	HT-3a & b	14.60	Year	Sales by the HESCOM -MU	2016-17	843.88	2017-18	1005.39
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61.	<p>As per the Tariff Policy any tariff to be fixed should be within +/-20 % of cost to serve. HESCOM has not submitted " cost to serve " to the Commission. As cost to serve has not been finalized by the Commission, it is not possible to verify whether the proposed tariff is within the limits. Cost to serve is very important parameter. The cost to serve a HT</p>	<p>HESCOM has submitted it's cost to serve model to KERC and decision in this regard has not been ordered yet. However, it is held by KERC that average cost of supply will be considered in lieu of cost to service. It is pointed here that, efforts have been made by HESCOM to find out the voltage-wise cost.</p>																																		

	Objections	Replies by HESCOM
	<p>installation is very much less compared to LT power. If cost to serve is found out and tariff is fixed as per cost to serve, the tariff of HT2(a) will have to be brought down by 50%. HESCOM is giving non-convincing replies. At least in case of HT 2 (a) category cost to serve should be worked out. Hence this Tariff Application should be rejected.</p>	<p>It is inevitable in the present conditions that, the consumers having high paying capacity especially HT consumers and commercial consumers have to pay the cross subsidy. But as per the tariff policy the cross subsidy should be within the range of <math>\pm 20\%</math></p>
	<p><b>Commission's Views:</b> The Commission has dealt with the issue appropriately under relevant chapter (6) of the Tariff Order. The Commission in accordance with the directions of the APTEL, is determining voltage-wise cost to serve for different category of consumers.</p>	
62.	<p>As per section 23 of the Act, load shedding should be done with the approval of KERC. Un-scheduled load shedding have adversely affected the Industries. KERC should take appropriate action in this regard. For planned maintenance it should be given to the newspapers a least 24 hours before, which is not done. In such cases HESCOM should resort to Spot purchase of power through Energy Exchanges, which is not done. HESCOM is resorting to load shedding without the approval of KERC and without making alternate arrangements. This is a clear violation</p>	<p>Load shedding in HESCOM is resorted to only in case of maintenance works with prior notification in the newspapers and SMS, the reports of which are brought to the kind notice of Commission. The unscheduled load shedding are due to natural calamities which are attended to maintain the sustainability of the system.</p>
	<p><b>Commission's Views:</b> The Commission has noted the reply provided by HESCOM.</p>	
63.	<p>Average cost of supply is Rs.6.78 per Unit. But IP sets are charged only Rs.2.38 per Unit. Who pays the difference amount of Rs.4.40 per Unit? It is being recovered from other consumers through cross subsidization. That means a large part of the cost of unmetered free power (of 39 per cent) is being borne by the other consumers through cross subsidies, though the Govt. claims the burden is entirely on its account. This is a clear case of regularization of dues of the Govt.</p>	<p>The figures furnished by the objector are wrong in respect of HESCOM. The average cost of supply approved by KERC for FY18 in HESCOM is Rs. 6.43 per unit and the Commission Determined Tariff for IP sets is Rs.6.04 per unit which is arrived at, duly deducting the cross subsidy component from other categories in the average cost of supply of Rs. 6.43 / unit</p>

	Objections	Replies by HESCOM
	<p><b>Commission's Views:</b> The Commission has noted the reply furnished by HESCOM. The Commission has dealt with this matter appropriately in the relevant chapter of the Tariff Order. Further, IP set sale is being subsidized by the GoK at Commission determined tariff. Subsidy is being released to the IP sets according to the Orders issued by the GoK from time to time. The Commission is endeavoring to reduce the cross-subsidy levels gradually as envisaged under the Act and the Tariff Policy.</p>	
64.	<p>Since, the applicant has totally failed to improve the efficiency of its operations by implementing the directives issued by the Hon'ble Commission to that effect; the hike in tariffs sought by the petitioner through the impugned, petition is not justifiable and also not maintainable. In fact, the earlier increase in tariffs should be reversed. The power supply situation and quality of power supply in rural areas have deteriorated further during the current year. The objector submits that compliance of other directives is also very poor and no tangible results have come out, so far. On these aspects also the ERC and Tariff filings, are defective and liable to be dismissed as not maintainable. For the aforesaid reasons the Tariff Revision Petition is not maintainable.</p>	<p>HESCOM doesn't agree the objector's opinion. HESCOM is striving hard to deliver the uninterrupted reliable power supply to all the consumers and following all the directions issued by KERC for time to time. The power supply situation and quality of power supply in rural areas has improved lot in view of implementation of NJY scheme. The ERC and ARR application filed is as per procedure and maintainable in all respect.</p> <ol style="list-style-type: none"> <li>I. Tariff Hike dependent on input Power Purchase Cost, O &amp; M Cost, Establishment Cost, etc. Further, it depends on Hydro Thermal Mix and subsidy given by the Govt. The power purchase cost is based on the average cost intimated by KPTCL and the rate is validated by the Commission.</li> <li>II. Regarding improving the quality of power supply, the works of strengthening the distribution system, providing new distribution transformers, old lines are being replaced, carried out the pre monsoon maintenance and billing has been computerised, etc., are being carried out and every effort is made to improve the quality of power supply.</li> <li>III. The existing revenue from HESCOM is not sufficient to cover Annual Revenue Requirement, the revision of tariff is proposed.</li> </ol> <p>The demand for electricity is increasing more than supply. Further, power from hydel sources is reducing, compelling the HESCOM to buy costly power. Hence, the tariff hike is needed. It is not correct to say that HESCOM has totally failed to improve efficiency. The efficiency can be observed on many fronts, like NJY project, R-</p>

	Objections	Replies by HESCOM
		APRDP project, IT initiatives etc. Because of its efficiency only, that HESCOM has crossed it's sale of 10,000 MUs, second only to BESCOM in Karnataka
	<b>Commission's Views:</b> The Commission has taken note of the reply given by HESCOM. The Commission has dealt with the issue appropriately under relevant chapters of the Tariff Order.	
65.	<b>Capital Expenditure.</b> Capital Expenditure approved was Rs.745.55 crores and utilization is Rs.1102.19 crores. Thus more utilized is Rs.357.64 Crores. HESCOM has failed to monitor capital expenditure. It shows its in-efficiency in utilizing the budget.	The Charges are payable by the consumers towards capital expenditure incurred by the company for creating infrastructure for providing quality service etc. The existing revenue from HESCOM is not sufficient to cover expenditure incurred by the company. Distribution network is overloaded every day and huge amount of capex is required to strengthen it.
	<b>Commission's Views:</b> The Commission has dealt with this matter in the relevant chapter of this Tariff Order.	
66.	<b>O &amp; M Expenses</b> Actual expenses are Rs.874.09crores. Approved expenses are Rs.744.36 crores. Any additional expenses should be disallowed.	HESCOM has to maintain its own financial balance, therefore tariff hike is very essential. It may be noted that HESCOM is working on the principle of "No Profit and No Loss" principle. The price hike situation depends upon various conditions like Geographic, Economic, Social and other factors. The O & M expenses are increasing in view of the recruitment and maintenance works
	<b>Commission's Views:</b> The Commission has dealt with this matter in the relevant chapter of this Tariff Order.	
67.	The Commission has ordered to implement TOD for 500 KVA and above HT installations. This was meant to bring down the evening peak. HESCOM has submitted to the Commission to continue TOD. The objector has submitted to make it optional. In this regard the objector has quoted APTEL Order in Jaipur Vudyut Vitaran Nigam & Others Vs Rajasthan Electricity Regulatory Commission(RERC) (2014 ELR APTEL 0134), in which APTEL has upheld the Order of RERC in rejecting the prayer of JVVLL & Others to approve TOD. Thus TOD was not approved in Rajasthan on the ground that ESCOMS failed to	The Objector insists that the TOD should be made optional in respect of HT installations. But HESCOM insists on the present TOD tariff in order to control the peak load.  The comparison regarding TOD with the other States is not appropriate because, the conditions effecting TOD differ from State to state.



	Objections	Replies by HESCOM
	<p>prove that that Peak Load curve is not flat. In Karnataka also none of the ESCOMs have supplied Peak Load curves before TOD and after TOD. On this count TOD should be rejected. HESCOM has not given any information as to what extent peak load has come down. If peak load has not come down, then Commission may cancel compulsory TOD order and make it optional.</p> <p>HESCOM has stated that peak has shifted from evening to morning. This peak is from domestic and AEH consumers and not from Industries. But the TOD is applicable to HT and not LT. The peak due to HT should be studied separately. The study made by HESCOM is not applicable to HT Installations. Hence the TOD hours should remain the same and TOD should be made optional as HESCOM has failed to prove that TOD has helped to bring down the peak.</p>	
	<b>Commission's Views:</b> The reply given by HESCOM is noted.	
68.	<p>There are 21,971 streetlight installations. Time Switches are provided to 2,768. Installations. (12.60%)(page-14) Balance installations to be provide with Time Switches are 19203. HESCOM is not doing a good job. Time switches help to bring down the peak load. The purpose of bringing down the peak load has not been pursued with all seriousness. Though more than five years have lapsed HESCOM is yet to arrange time Switches to street light installations. . Then how peak load can be brought down? Thus HESCOM has failed to implement Demand Side Management</p>	<p>The installation of timer switches to street lights comes under the purview of local civic bodies. HESCOM is insisting on the Civic Bodies to install the timer switches to street lights at the earliest. However, the new installations are serviced with LED bulbs and timer switches only.</p>
	<b>Commission's Views:</b> The reply provided by HESCOM is acceptable. The Commission has dealt with this matter in the relevant chapter of the Tariff Order.	

	Objections	Replies by HESCOM
69.	There are interruptions and load shedding. Industries are suffering a lot. The objector insists that independent feeders should be provided for feeding to the industries.	HESCOM is trying at it's best to provide separate feeders to industries wherever possible.
	<b>Commission's Views:</b> The reply given by HESCOM is noted.	
70.	Solar Heating greatly helps in bringing down the morning peak load. Hence present solar rebate should be continued. HESCOM has not given the details of how many installations are yet to be serviced with solar water heaters.	HESCOM has proposed the continuance of present solar rebate for installing the solar water heating system which is mandatory to certain types of consumers, as per conditions of supply formulated by KERC
	<b>Commission's Views:</b> The reply given by HESCOM is noted.	
71.	HESCOM has not indicated when the balance of Nirantara Jyoti works will be completed. Further HESCOM has not quantified how much losses have come down. Further Nirantara Jyoti exercise is being done as per the Govt. directions for better supply to the rural consumers. It is a welfare activity by the Govt. Hence the entire cost of Niranthara Jyoti should be borne by the Govt. It should not be loaded on to the consumers.	The Status of Nirantara Jyothi project has been furnished in the application. After segregation, the NJY feeders are getting 24 hours of power supply. The cost of the project is borne by HESCOM with the sanction of grants by GOK to some extent
	<b>Commission's Views:</b> The Commission is reviewing the status of NJY works in the quarterly review meeting held with ESCOMs.	
72.	Implementation of HVDS (High Voltage Distribution System) will bring down the losses by about 8-10%. Since Sept 2012, Commission has been repeatedly instructing HESCOM to implement HVDS.  It is stated that the work of evaluation is entrusted to third Party and reports are received. Then why the brief report is not supplied to the consumers. Any expenditure made towards the HVDS is loaded on to the consumers. Then why the contents of the report are not supplied to the consumers. We want to know how much expenditure is made and what % of	HVDS: The implementation of HVDS in HESCOM requires huge amount of investment in view of adverse geographical conditions where the LT lines run into long distances. The Commission directed HESCOM, not to submit any proposals of HVDS until further orders from the Commission

	Objections	Replies by HESCOM
	losses are reduced. HESCOM is requested to supply while replying to our Objections.	
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted. Due to its high cost of implementation, the Commission has directed the HESCOM not propose any new HVDS scheme, until further orders.	
73.	<p>Demand Side Management in Agriculture: HESCOM proposed in 2013 for replacement of less efficient pump sets by high efficient pump sets. This will save about 30% of IP energy consumption and will reduce the demand. But work has not started even in 2018. HESCOM has not stated anything in this regard. HESCOM has not done DSM at all. HESCOM has stated that Solar PV power is provided to some IP sets. This is only to provide cheap solar power during day time. It is not DSM. This will not reduce any load. During day time there is no peak.</p> <p>Solar power can be stated as stand-alone power supply to IP sets. It is not DSM. HESCOM has not reported anything on DSM implementation.</p>	HESCOM is making a study for implementation of DSM in agriculture through pilot projects in Nippani and Byadagi. Totally 590 existing pump set are replaced by energy efficient IP set in Nippani and Byadagi areas
	<b>Commission's Views:</b> The reply of HESCOM is noted. Further, as per the DSM Regulations use of solar energy is also a DSM measure. The Commission is reviewing the measures taken by ESCOMs under DSM in the quarterly review meeting held with ESCOMs.	
74.	<p>Commission has directed HESCOM to complete the work of metering of DTCs by 31-12-2010. But still metering of DTCs is not completed. At this rate metering may take another more than 5 years. DTC metering is very important to calculate DTC-wise line loss. DTC-wise line losses are not worked out even in case of DTCs which are metered and what action has been taken to reduce the losses. HESCOM is silent on this. DTCs are not metered and where DTCs are metered line losses are not worked out. The whole exercise appears to be an eye wash.</p>	<p>Metering of DTCs: Details of metering of DTCs is furnished in the application. 40,793 DTC are awarded for metering and work completed. The communication established for 31,667nos and 9126nos balance to be communicated. The details indicated in application pageno.26 and 27 of the tariff application.</p>

	Objections	Replies by HESCOM
	<b>Commission's Views:</b> The Commission has noted the reply furnished by HESCOM. Status of DTC metering is being reviewed in the quarterly review meetings with the ESCOMs.	
75.	Energy Audit: The losses are more than 10% in 8 towns, 71 urban feeders and 259 rural feeders. Losses are more than 20% in 13,274 DTCs. This clearly shows the concerned officers have not made any attempts to get the Energy Meters calibrated and efforts to reduce the losses.	HESCOM is making all out efforts to maintain the loss level in towns to below 15%. No negative losses are indicated by HESCOM.
	<b>Commission's Views:</b> The reply furnished by the HESCOM is noted. Status of Energy Audit is being reviewed in the quarterly review meetings with the ESCOMs.	
76.	Commission has directed HESCOM to achieve HT/LT ratio of 1:1. In this tariff petition, HESCOM has not given HT:LT ratio. It is more than 1:1. Hence HESCOM has avoided the figures. This will result in higher distribution losses. Where are the efforts to bring down the ratio? HESCOM has not implemented HVDS. And there is no seriousness on the part of the concerned officers.	HESCOM consists of an area dominated by Agriculture Sector where the LT lines run into long distances to provide connection to the IP set consumers. Hence, an idealistic HT: LT ratio is not possible. But HESCOM is trying to make HT: LT line ratio more acceptable in town areas wherever possible
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted. The Commission is of the view that HESCOM should make all out efforts to increase the HT: LT ratio, with an action plan for achieving the same.	
77.	It is obligatory for HESCOM to give a n n u a l abstract of reliability Index o f feeders. For how many feeders the index is within permissible limits and for how many it is beyond limits. For how many f e e d e r s there is improvement in reliability Index. <b>HESCOM has not given this information.</b> Consumers will not know if there is improvement in quality of supply. HESCOM is hiding this information. It appears there is no improvement in quality of supply. HESCOM has released to the News Papers that the reliability Index of HESCOM is 99.20%. But HESCOM has not	HESCOM has furnished the details of the reliability index in the application and is submitting information regularly to KERC as per its directions.

	Objections	Replies by HESCOM
	supplied the work sheets in the tariff filing. HESCOM is making false claims	
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted.	
78.	In the case of metering of IP sets the progress is very poor. This is a clear violation of section 55 of EA 2003. This section mandated that by 2005 all installations should be metered. HESCOM has not committed any date for completing the metering of IP sets. Because of no meters, the assessment of IP sets consumption made on the basis of sample meters is questionable. This will result in wrong line losses, wrong subsidy, wrong forecast of power sector planning. HESCOM should be ordered to complete metering of IP sets at least by the end of 2019	In view of strong agitation by farmer's community it is not possible to fix the meters to IP Sets. However the new service connections are provided with meters only
	<b>Commission's Views:</b> The Commission notes the reply given by HESCOM.	
79.	HESCOM has given details of number of failed transformers. But has not given the expenditure for repairs. It is learnt the failure rate is 9%. Few years back it was 0%. This high failure is due to improper maintenance. There is huge cost to repair the failed transformers. HESCOM has not stated what is the expenditure in repairing these failed transformers. How they would reduce the failures and bring down the expenditure	The details are furnished in the application in page no.172. Remedial measures such as straightening of poles, restringing of loose spans, reconductoring of DTCs and earthing and regularization of IP sets and strengthening of network by creating infrastructure etc. are undertaken to prevent failure of distribution transformers
	<b>Commission's Views:</b> The Commission notes the reply given by HESCOM.	
80.	HESCOM is quoting only distribution losses but <b>not ATC losses</b> . ATC losses HESCOM has not said anything in this regard. HESCOM wants to implement Simulation type to find out losses. This will not be realistic. If the field details are not properly entered or deliberately not added the findings of Simulation will be wrong and misleading. Simulation should be abandoned. Actual losses should be automated.	HESCOM has furnished the total loss which includes Technical and Commercial loss also

	Objections	Replies by HESCOM
	<b>Commission's Views:</b> The reply submitted by HESCOM is noted.	
81.	It is stipulated that the banked energy should be used in three months. Otherwise it will lapse. This is wrong. The banked energy should be allowed to be used in the next 12 months	Hon'ble KERC has issued new orders Dtd : 09.01.2018 in OP No : 100 of 2016 filed by HESCOM regarding banked energy and the baking period for the non – REC route based REC projects, opting for wheeling, is reduced from the existing one year to six months
	<b>Commission's Views:</b> The matter is subjudice, as the Order of the Commission reducing the banking period from 12 months to 6 months was challenged in the Hon'ble APTEL. The matter is reverted back to the Commission with certain observation.	
82.	HESCOM has stated that instructions are issued. HESCOM cannot absolve its responsibility by merely stating that instructions are issued. HESCOM has not monitored the implementation. HESCOM has not mentioned in how many cases HESCOM Officers failed, how much penalty was imposed etc	The Concerned controlling Officers are monitoring the implementation of the Standard Of Performance(SOP) at Sub divisional and SO Level
	<b>Commission's Views:</b> The compliance to the directives have been discussed separately in this Order.	
83.	<p>a. Consumers not being informed regarding load shedding.</p> <p>b) Hourly based day ahead projections for each substation is not informed</p> <p>c) Specific Substations and feeders are not identified and informed.</p> <p>d) Interruptions in power supply with time and duration are not informed to the Consumers</p> <p>e) Likely time of restoration is not informed to the Consumers.</p> <p>f) Load shedding is done more on industrial consumers.</p> <p>g) There is no co-ordination among the ESCOMS. Each ESCOM wants to draw more power.</p> <p>h) HESCOM is not putting on its website the demand and availability.</p> <p>i) HESCOM is not putting on its website how much spot purchase of power is done.</p>	HESCOM is informing scheduled outages and unscheduled outages through SMS using Urja Mitra mobile application. Up to January-2019 totally 1.31 Crore of SMS were send through Urja Mitra application. The outages are also notified in daily news-papers. The other directives referred by the Objector have been complied with and the compliances are being submitted to the Commission regularly. The details explained in page no.16 and 17 of application

	Objections	Replies by HESCOM
	j) HESCOM is not putting on its website the substation wise and feeder wise interruptions every month.	
	<b>Commission's Views:</b> The reply submitted by HESCOM is noted. The compliance to the directives have been discussed separately in this Order.	
84.	<p>The objector respectfully submits that the " Directives issued by the Commission in the Tariff Order are of continuing nature and are to be treated as directives in the subsequent Tariff Orders also. The Commission has put the ESCOMs on notice that the compliance to directives is an essential part to consider future tariff revision proposals". (Power Sector reforms in Karnataka 1999/2004)</p> <p>In the light of the above, the objector would like to submit that the important directives in respect of the universal metering, cost of supply, paying capacity, and pre-paid meters which were the significant directives issued by the Regulatory Commission, are yet to be implemented. In the absence of compliance to directives the whole exercise of filing ERC would be futile and the petition is liable to be rejected on this ground itself</p>	HESCOM is taking necessary action in respect of directives which are of continuing nature.
	<b>Commission's Views:</b> The reply submitted by HESCOM is noted. The Commission directs the HESCOM to comply with the directives issued within a definite timeframe.	
85.	<p><b>NEW PROPOSALS:</b> EA 2003 mandates that tariff should be within +/-20% of cost to serve. Hence cost to serve should be decided first and then variation of fixed cost and variable cost. Forgetting the mandate of EA 2003, HESCOM is trying to hike fixed cost which is totally against the provisions of the Act and it is unacceptable. HESCOM has cited examples of some states. From the examples we cannot generalize. Only test of fixed charges is "cost to serve ". Without cost to serve we</p>	HESCOM has not made any new proposals in its application regarding fixed charges

	Objections	Replies by HESCOM
	should not consider hiking of fixed cost. HESCOM should drop fixed cost hiking proposal	
	<b>Commission's Views:</b> The reply submitted by HESCOM is noted. The matter has been appropriately dealt with in this Tariff Order.	
86.	HESCOM cannot cite other States and demand higher demand charges. HESCOM should justify for the increase. MD billing is already as per half hourly indicated MD. Why add 85% billing. If no justification is given, we propose the 75% may be brought down to 70%. When the HT Consumer has not utilized why bill him 85%. It is only to make more money through MD billing. It does not help technically. Rather to support technically, the billing MD may be brought down to 70%	The present method of collecting demand charges is acceptable to HESCOM and insists on continuance
	<b>Commission's Views:</b> The Commission has decided about this aspect issue in the tariff Order 2018.	
87.	MD recorded is only during any half an hour in the entire month. There are some instantaneous loads for very short duration. There may not be any consumption. Hence billing for energy for entire month for any half an hour MD shoot is not appropriate. It should be dropped	The present method of collecting demand charges is acceptable to HESCOM and insists on continuance
	<b>Commission's Views:</b> The Commission has decided about this issue in the tariff Order 2018.	
88.	The Service of re-connection should be free. Existing Reconnection charges are nominal and quite comparable to services rendered. Existing Reconnection charges should be continued or they should be dropped as a matter of service to the consumers	HESCOM does not agree for free service connection.
	<b>Commission's Views:</b> HESCOM's reply is not relevant. The objection is about the service re-connection charges and not service connection charges. For non-payment if the installation is disconnected, at the time of re-connection, the reconnections charges shall have to be borne by the consumer.	
89.	The paying capacity of some category of Consumers like Software Companies is	The issue is policy matter of GOK and does not come under the purview of HESCOM



	Objections	Replies by HESCOM
	good. Hence these Companies should be brought under Commercial tariff	
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted. IT, BT & IT enabled companies are classified under industrial category on the basis of a policy by the Government. For availing this benefit the above companies have to produce necessary certificate from the Government. In the normal course all office establishments are treated as commercial consumers and charged commercial tariff.	
90.	To encourage solar water heaters rebate should be continued and enhanced to Rs.100/-.It is green energy and should be encouraged	HESCOM insists on continuance of present solar rebate of 50/ paise per unit
	<b>Commission's Views:</b> To solar rebate has been introduced to encourage the consumers to opt for installation of solar water heaters which is beneficial to consumers as well to the ESCOMs as it conserves energy. The Commission is not in favour of increasing the solar rebate as the financial burden thereon will have to be borne by all the consumers.	
91.	HESCOM has not produced subsidy allocation letter.	Govt. has not provided the subsidy allocation letter. However, the subsidy quantum is worked out on the basis of CDT in respect of BJ KJ and IP set installations.
	<b>Commission's Views:</b> The Government normally informs the subsidy allocation before the tariff orders are issued.	
92.	Specific consumption of IP sets for FY19 is taken as 7980 Units/IP set/annum The specific consumption was taken as 6890 Units in the previous years. Thus specific consumption is a figure at the whims and fancy of HESCOM to adjust the losses and to adjust the consumption to adjust the purchase of MU. The whole thing is a manipulation. We get a doubt whether the tariff revision petition is a realistic picture of working of HESCOM or manipulated picture of HESCOM	The specific consumption fixed by KERC at 8244 units was based on the consumption derived on sample readings of IP set dominated DTCs. Now HESCOM is assessing the IP set consumption on segregated IP set feeders under NJY scheme as per the direction of KERC
	<b>Commission's Views:</b> The Commission notes the reply of HESCOM. This issue has been dealt with in the Tariff Order in the relevant Chapter.	
93.	HESCOM has not achieved segregation of technical and commercial losses as per the Tariff Policy announced in 2006	Practically, segregation of technical and commercial loss is not practicable.

	Objections	Replies by HESCOM
	<b>Commission's Views:</b> Commission notes the reply given by HESCOM. HESCOM shall devise appropriate methodology to identify commercial losses and efforts shall be made to reduce and eliminate them by taking stringent action against the guilty.	
94.	HESCOM has not supplied details of average number of interruptions per consumer and average duration of interruptions per consumer	HESCOM has furnished the details of interruption in power supply in the application.
	<b>Commission's Views:</b> The Commission notes the reply of HESCOM.	
95.	Though consumer indexing was started by HESCOM many years back it has not completed the same	Consumer indexing is completed in HESCOM.
	<b>Commission's Views:</b> The Commission notes the reply of HESCOM.	
96.	Geographical positioning system though started many years back has not been completed. This again reflects inefficiency of HESCOM.	Geographical positioning system is being done under R-APDRP and GIS mapping of DTCs. TCs are mapped under GPS in non- RAPDRP area
	<b>Commission's Views:</b> The Commission notes the reply of HESCOM.	
97.	Vigilance cases are booked by the Police. This is wrong. Cases should be booked by the Assessing Officer. Commission may send Clear directions in this regard	The establishment of vigilance squad under Police Dept. comes under the purview of GOK
	<b>Commission's Views:</b> The reply furnished by HESCOM is not relevant. Though the Police conducts the raids along with the field engineers, the claims towards back-billing charges are approved and issued by the jurisdictional Assessing office. Specific cases of violation of Rules should be brought to the notice of the concerned officers.	
98.	Govt. of India has come out with Debt Restructuring Scheme called Ujwal Discoms Assurance Yojana ( <b>UDAY</b> ) . HESCOM has not accepted the Scheme. Why ?	HESCOM is participating in UDAY of Govt of India
	<b>Commission's Views:</b> The Commission notes the reply of HESCOM.	
99.	The average cost of hydel stations is 84.31 paise per unit. The average cost of thermal stations is 435.51 paise. Hence HESCOM should utilize more and more Hydel Power.	The Hydel power is not fully available due to scarcity of water.

	Objections	Replies by HESCOM
	<b>Commission's Views:</b> The Hydro thermal mix is dependent on the government allocation to all the ESCOMs. ESCOMs have no choice of the share according to their requirement.	
100.	HESCOM has ignored the Electricity Act 2003. As per this Act tariff to be fixed should be within +/- 20% of "Cost to supply". HESCOM has so far not worked out cost to serve. In the absence of Cost to serve, how can HESCOM demand increase if fixed cost. The cost to serve to the HT consumers is the least. HESCOM takes only 11 KV lines to the consumer premises. That is all. Rest all is done by the HT Consumers. Consumer is providing his own transformer and other infrastructure. Hence objector opposes the increase in fixed charges	HESCOM has not proposed for increase on fixed charges.
	<b>Commission's Views:</b> The Commission notes the reply given by HESCOM. The matter has been appropriately dealt with in the Tariff Order.	
101.	Small Scale Industries are suffering a lot. Many have been closed. The total consumption of Small Industries has come down. They are bearing the load of cross subsidy. They have to compete in the Global Market. Their cost of production should be at par with Global Manufacturers. Keeping all these issues in mind it is submitted that there should be a separate tariff for Small Scale Industries and this tariff should be Re.1 less than the other Tariffs. Only then Small Scale Industries can survive in the Global Market and contribute for the development of the State	Any reduction in the tariff in respect of small scale industries, the burden will shift on to the other consumers. HESCOM is not ready for this and rejects the suggestion of objector.
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted and the process of tariff determination is discussed in the relevant chapter of this Order. The Commission has kept the cross subsidy level to small industries at the minimum. The increase in tariff is only to recover the increase in the cost of service.	
102.	The % of HT consumers is only 0.07. But they are giving revenue of 11%. The unscheduled load shedding and frequent interruptions have caused unbearable loss	The reduction in HT-2(a) consumption is mainly due to the facility of Open Access Regulations. HESCOM cannot prevent the consumers from

	Objections	Replies by HESCOM
	to the industries. Many industries have closed due to unreliable power supply. Though it costs less to supply to the industrial consumers, than the residential consumers, industries are charged the highest. This is total violation of the Electricity Act 2003. Growth of number of installations is 9.49%. But the consumption growth is only 3%. This clearly indicates that HT consumers are not availing HESCOM power and are availing, power from Non-HESCOM suppliers. This is a serious matter. This has not been addressed by HESCOM. Hence tariff revision petition of HESCOM should be rejected	opting to open access, if the consumers think that the power will be feasible for them.
	<b>Commission's Views:</b> The Commission has noted the reply furnished by HESCOM. HESCOM shall take appropriate measures to reduce expenses and attract more HT consumers by supplying quality power at reasonable rates.	
103.	Borrowings year after year are increasing. No action plan is indicated as to how the borrowings will be reduced	HESCOM has noted the facts.
	<b>Commission's Views:</b> The amount of borrowings depend upon the capex envisaged. The Capex and the associated issues are discussed in the relevant chapters in the Order.	
104.	<b>GENERAL:</b> <b>POWER SCENARIO:</b> Since the passing of KER Act 1999, whenever there is tariff revision there is always upward increase. Never the tariff has been reduced. In the earlier revisions the hike was small and bearable. But now a day the hike happening is more. The hike has resulted in reduction in industrial consumption and some of the small industries have been closed down. Every year all ESCOMS together are servicing new connections to the tune of about 500 MW. Three year back the shortage was about 3000 MW. Last three years ESCOMS have added about 1500 MW load. Today the shortage in the installed capacity is about 4500MW.	HESCOM has noted the facts stated by the Objector. The load shedding is not enforced in HESCOM jurisdiction. The power cut may be fault of line or allied materials, depending on the nature of the condition, ageing of material

	Objections	Replies by HESCOM
	<p>With redundant power, the deficit is about 6,000 MW. Daily consumption has increased to about 180 MU. This daily consumption will continue to increase as new loads are being added. No new Generating stations are being erected. In the next four years there is not going to be any additional generation. Then what will be scenario? ESCOMS have to supply power to the existing and new consumers. When there is no additional domestic generation then ESCOMS will be compelled to buy power from outside. The outside power is definitely costlier than the domestic generation. ARR of all ESCOMS will increase. ESCOMS will approach Commission for increase in tariff to pay for domestic and outside power purchase.</p> <p>This scenario will be quite disastrous to the industries. Commission should order ESCOMS to come out with short term and long term solutions. Short term solution can be distributed generations with short gestation period like Diesel Generators or Gas Turbine Generations. Gestation period of these Generators is about one year compared to four year's gestation period of hydel and thermal Generators. If drastic action is not taken by the State Govt. to increase domestic generation, Consumers of Karnataka will have to suffer untold misery. During September, 2015, this has happened. There was scheduled 2 hours' load shedding and more than 2 hours of unscheduled power cut. The condition of Industries was pathetic and miserable. Many Industries have incurred heavy losses.</p>	
	<p><b>Commission's Views:</b> The Commission notes the reply provided by HESCOM. As adequate capacities of new RE and conventional power have come up, the apprehensions expresses by the objector are not true.</p>	

	Objections	Replies by HESCOM
105.	<p>Under Section – 86(2)(iv) of EA 2003, one of the functions of the State Commission is to advise the State Govt. on matters concerning generation. Generation in Karnataka is deficit more than 20 years. It appears the Commission has not advised the State Govt. to increase the generation, fill the shortage and create redundant power. If this is not done, for many more years to come power position in Karnataka will not improve. If generation is increased many power problems in Karnataka can be overcome. Commission may advise the State Govt. to increase the generation commensurate with the load growth and <b>also monitor the addition of Generation</b>. If this is not done power position will not improve. For our failures we will have to buy costly power from outside and pass on to the consumers. Then it will be case of failure of the Govt. being passed on to the Consumers. This should be avoided. <b>There is a provision in EA 2003, that Distribution Company can have its own Generation</b> and it will supply exclusively to HESCOM Consumers. This will help to reduce load shedding and cheaper power to HESCOM Consumers. HESCOM will call Competitive bidding. HESCOM will not invest the cost of the Project. HESCOM will only purchase power from the Competitive bid Generating Company.</p> <p>This power will be much cheaper than the Raichur Power. A decision may be taken in this regard. Commission may advise the Govt. in this regard</p>	HESCOM has noted the facts
	<p><b>Commission's Views:</b> Presently, Procurement of power is being carried out by PCKL on behalf of State ESCOMs as per the guidelines issued from time to time by the Ministry of Power, Govt. of India and the Commission and as already indicated there is adequate generation capacity in the State.</p>	
106.	The applicant has not disclosed any plan for the introduction of pre-paid meters as	HESCOM has under taken the installation of prepaid meters to LT-7 consumers through pilot

	Objections	Replies by HESCOM
	<p>provided under <b>Section 47(5) of the Electricity Act, 2003</b>. If power supply through pre-paid meters are introduced by HESCOM, and the consumer is prepared to take the supply through a pre-payment meter, <b>Consumer would not be required to give security deposit and also he would get back the security deposit already deposited, as provided under Section 47(5) of the Act</b>. Since HESCOM has not arranged for supply through pre-payment meters, even after 15 years from coming into force of that provision, the applicant should not be allowed to take advantage of its own lapses to its advantage.</p> <p>In Vijayaa Steels Vs HESCOM, the Court has held that if the Consumer is willing to take supply through a pre-paid meter the HESCOM should adjust Security Deposit in future bills of those consumers. In spite of that, HESCOM has not implemented pre-paid meters. And the present ERC is silent about it. Even after 15 years, HESCOM does not want to implement Pre-paid meters. What is the intention of HESCOM and why Commission is silent.</p>	<p>projects in Hubballi and Belgaum Urban divisions. HESCOM is planning to install prepaid meters to LT-7 consumers after detailed analysis of these projects.</p>
	<p><b>Commission's Views:</b> The Commission notes that a consumer has to provide security for the monies which are due to the licensee in respect of electricity supplied and for the electric line or plant or meter provided by the licensee. The Section 47 (5) of the EA 2003 mandates that no security deposit is required to be collected by the licensee for the electricity supplied if the consumer opts for pre-paid meter. Thus, if an existing consumer opts for pre-paid meter, the ESCOMs have to return the security deposit to the consumer. In case, the same has to be adjusted against future bills of the consumers. The ESCOM can approach the Commission for suitable amendments to the COS. Regarding the meter security deposit the Commission vide Conditions of Supply of Electricity of Distribution Licensees in the State of Karnataka (Seventh Amendment), 2018, has specified that Meter Security Deposit shall be equivalent to cost of pre-paid energy meter shall be paid by the consumer in case the pre-paid meters are provided by the ESCOMs.</p>	

	Objections	Replies by HESCOM
107.	<p>Section 55 of Electricity Act has stipulated no installation would be Serviced without a meter after 10<sup>th</sup> June 2005. ESCOMS are still servicing Installations without meters.100% metering has not been achieved. This is a clear violation of the Act and Directive of the Commission. Any supply without a meter is illegal.</p> <p>Any estimation based on an illegal Transaction cannot be deemed to be the basis for tariff determination. Hence Hon'ble Commission should <b>not allow the cross subsidy in respect of un-metered category</b></p>	<p>No new installations are serviced without meters. There are only the old existing IP sets to be metered.</p>
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted.	
108.	<p>Foundries, Forging Shops, Heat treatment shops, Blow Molding units and Steel Mills in Karnataka which are highly energy intensive and are under serious threat of closure due to high power cost which has made manufacturing activity very prohibitive due to competition from neighboring States. A substantial reduction in tariff is required to ensure survival of these Industries in Karnataka</p>	<p>HESCOM opposes any reduction of Tariff in respect of these units as the burden will shift to the other categories</p>
	<b>Commission's Views:</b> The reply furnished by HESCOM is noted and the process of tariff determination is discussed in the relevant chapter of this Order. The consumers have to bear the cost of power they use. Any concession to any group consumer will result in the burden being shifted to others, which is not practicable.	
109.	<p>Consumption, which is not metered, is being worked out based on sample survey This is subsidized by the Government. In addition to this, industrial Consumers are cross-subsidizing certain categories of Consumers. Most of the time any residual energy that needs to be accounted will be booked under IP set consumption. Similarly, T&amp;D losses are also booked under IP set consumption.</p> <p>At this point, the objector would like to submit that the Industrial consumption in respect of HT-2(a) has steadily declined</p>	



	Objections	Replies by HESCOM
	<p>and that of IP set consumption projections are indicating higher requirement. Since industrial Consumers are the one who are cross-subsidizing other categories of Consumers, any reduction in consumption of Industry and increase of consumption of other Non- paying class of consumers would not only place an additional burden on the State Government for subsidizing other class of consumers but also on industrial consumers.</p> <p>The objector is of the apprehension that if tariff proposal is allowed to pass through, it would cause irreparable losses to Industrial Consumers, whose consumption has been shown to be declining steadily due to higher cost and non-availability of quality power. It is also estimated that about 4682.91 MU are generated by captive Generation and it is likely that industrial consumers will further move away from the grid.</p> <p>It is pertinent at this point of time to say that the deposits held as security deposits will also further get reduced on account of reduced consumption. Presently only about 35% of consumers are meeting the entire tariff requirements.</p> <p>The objector further submits that on the issue of cross-subsidies, the Commission had stated, "The Hon'ble Commission would endeavor to balance the cross-subsidy appropriately while determining the tariff in the next filing. (Tariff Amendment Order, 2003 – Para 18.10).</p> <p>It may be noted that with the present tariff revision and proposed hike by 82 paise per unit will be a big blow to manufacturing sector. By increasing the tariff, objective of conducting power sector business in economical and efficient manner will not be met for the aforesaid reasons. The present proposals do not reflect the factors</p>	<p>The high paying capacity consumers have to pay cross subsidise the other categories. This may continue for some more time till the favourable conditions emerge in the power sector. The tariff hike as proposed by HESCOM in its application is very essential to maintain its financial balance</p>

	Objections	Replies by HESCOM
	<p>which would encourage efficiency, economic use of resources, good performance and optimum investment, which the Commission considers appropriate for the purpose of Act.</p> <p>As per Section 27 of KER Act and Section-61G of Electricity Act-2003, Tariff should reflect cost of supply, which would reduce cross-subsidy progressively at an adequate and improving level of efficiency. Section-28(2) of Electricity Regulatory Commission Act-1998 (14 of 1998) had used the word average cost whereas Electricity Act-2003 has used the word Cost of supply. Cost of supply should have been the basis of tariff determination proposed by HESCOM. This has not happened even after previous tariff revisions sought by the licensee. The promise of supplying the power at economic and efficient levels has not happened after the restructuring of Power Sector in Karnataka. Note: Since formation of separate distribution companies, total fixed expenses have gone up enormously. The inference that can be made from the above is that formation of 5 companies have not resulted in any efficiency gain and on the contrary expenses have gone up enormously which is adding to the burden on customers.</p> <p>The objector humbly submits that allocation of expensive PPA's to HESCOM is not in accordance with National Electricity Policy. Customers of these companies are discriminated and are made to purchase high cost energy.</p>	
	<p><b>Commission's Views:</b> Cross-subsidy and subsidy are linked with each other. The reduction of cross subsidy is dependent on the long-term policy on the grant of subsidy to a certain class of consumers. It has always been Commission's endeavour is to reduce the cross subsidies gradually as per the provisions of the Tariff Policy.</p>	

	Objections	Replies by HESCOM
110.	<p><b>HYDEL POWER</b></p> <p>It is to be observed that the cost of hydro power is 52.24 paise per unit on the average with a minimum of 12.6 paise (Sharavathy), 56 paise (Varahi) per unit with a maximum of 120 Paise per unit and hence we should utilize hydel power fully. It is felt that the two major Hydro stations namely Sharavathy and Nagjhari Power Houses have been fully depreciated <b>and KPCL should reduce the cost of Generation</b></p>	<p>The issue of depreciation of Hydel power stations does not come under the purview of HESCOM.</p>
	<p><b>Commission's Views:</b> The tariff of hydro power is guided by relevant Regulations of the Commission which also includes the depreciated costs of the old generating stations.</p>	
111.	<p>Open access may be extended to the consumers drawing power below 1 MW also.</p>	<p>HESCOM opposes the suggestion that the open access facility to consumers drawing power below 1 MW</p>
	<p><b>Commission's Views:</b> Allowing Open Access to consumers above one MW, is as per the Provisions of section 42 of the EA 2003.</p>	
112.	<p>Bank Guarantee should be accepted. Cash payment should not be insisted</p>	<p>The issue is not clear and falls under which subject/topic?</p>
	<p><b>Commission's Views:</b> The reply furnished by HESCOM is noted. This is not a tariff issue and the same is regulated as per Conditions of Supply.</p>	
113.	<p>Rural Industries are suffering a lot due to scheduled and unscheduled power cuts, interruptions, low voltage, delay in resuming power supply whenever there are faults etc. HESCOM should be instructed to supply quality power to the rural areas. Though certain relief is given to them as 5 paise reduction and 15 paise reduction, this appears to be very meager. Further reduction may be given.</p>	<p>HESCOM is in favour of removing the discrimination between urban and rural consumers.</p>
	<p><b>Commission's Views:</b> With the separation of IP feeder under schemes like DDUGJY, HESCOM shall provide 24x7 reliable power to Rural areas. Specific case on non-supply of 24x7 power to rural areas should be brought to the notice of concerned engineers.</p>	
114.	<p>Commission should publish Annual Reports of ESCOMS mentioning therein the breakup of accumulated losses,</p>	<p>Publishing Annual reports of ESCOMS by KERC does not come under the purview of HESCOM</p>

	Objections	Replies by HESCOM
	efficiency, improvements etc. for the information of Public	
	<b>Commission's Views:</b> The Annual Reports of the ESCOMs are available on their website. The details regarding tariff filings of ESCOMs have been uploaded on the Commission website for scrutiny and comments, within the due date from the public/ stakeholders.	
115.	Comparison with other States is necessary. Major generation in Karnataka is Hydel and Hydel is much cheaper than thermal or Nuclear or Renewables. Hence tariff in Karnataka should be lower than in other States. But the tariff in Karnataka is more. It means Karnataka is charging more to the Consumers than other States	The comparison of HESCOM with other States is not appropriate as the conditions which determine the tariff in HESCOM differ in many ways from those prevailing in other States.
	<b>Commission's Views:</b> The reply furnished by HESCOM is acceptable.	
116.	During 2013-14, five states – Chhattisgarh, Odisha, Rajasthan, Tamil Nadu, and Uttar Pradesh have not increased industrial tariff.(Source; Power line Magazine Sept 2014- page-47) In order to encourage industries, this year there should not be hike in tariff to the industries	The comparison of HESCOM with other States is not appropriate as the conditions which determine the tariff in HESCOM differ in many ways from those prevailing in other States.
	<b>Commission's Views:</b> The reply furnished by HESCOM is acceptable.	
117.	The average HT tariff in United States is 6 US cents/kwh. (which is equivalent to about Rs.3/kwh). But in Karnataka it is Rs. 7.32 For HT consumers. Indian Industry has to compete in the Global Market. In order to make the cost of manufacture of Indian Industry to be competitive, tariff has to be at par with others. Hence HT tariff should not be increased	As explained in above para the comparison with other international States is also not appropriate.
	<b>Commission's Views:</b> The reply furnished by HESCOM is acceptable.	
118.	Every year HESCOM has been demanding increase in tariff. Last year HESCOM demanded hike of 102 paise per Unit. This year HESCOM is demanding hike of 167 paise per Unit. It has become routine to ask for steep hike. HESCOM has not arrived	This is a policy matter to be dealt with the GOK and does not come under the purview of HESCOM. However HESCOM opposes the suggestion.

	Objections	Replies by HESCOM
	<p>at cost to serve. HESCOM has not improved HT:LT ratio and has not reduced losses. HESCOM has not reduced the failure of distribution transformers and repair cost is loaded on to the Consumers. Time switches are not provided and energy is wasted. DTC wise energy audit is not done and losses are not monitored. HVDS lines are not laid and losses are not reduced. Capital Expenditure is more than the double of the Commission approved. Demand side Management is not done. Thus the entire inefficiency of HESCOM is loaded on to the Consumers. In the light of above narrations, it is prayed that the Management of HESCOM may be entrusted to any Public/Private bidder who can supply energy to the consumers at the least tariff. It is possible some bidder will come forward and the Consumers need not pay for the inefficiency on HESCOM.</p>	
	<p><b>Commission's Views:</b> The reply furnished by HESCOM is acceptable</p>	