

No. KERC/DD (Tariff)/ B/15/12/

**BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION
BANGALORE**

Dated this day, the 23rd March, 2022

Applications of:

Bangalore Electricity Supply Company Ltd. (BESCOM),
Mangalore Electricity Supply Company Ltd. (MESCOM),
Chamundeshwari Electricity Supply Corporation Ltd. (CESC),
Hubli Electricity Supply Company Ltd. (HESCOM),
Gulbarga Electricity Supply Company Ltd. (GESCOM).

In the matter of approval of Fuel Cost Adjustment Charges (FAC) due for the 3rd billing quarter of FY22 (October to December) to be allowed in the billing quarter (April to June 2022)

Present:

- | | |
|------------------------|-------------------------|
| 1. Sri H.M. Manjunatha | Officiating Chairperson |
| 2. Sri M.D. Ravi | Member |

PREAMBLE:

In accordance with the provisions of the KERC (Fuel Cost Adjustment Charges) Regulations, 2013, dated 22nd March, 2013, as amended vide Notification dated 4th December, 2013, the ESCOMs have filed their applications on the following dates for approval of Fuel Cost Adjustment Charges (FAC), to be recovered in the billing quarter of April – June, 2022, based on the Fuel Cost incurred during October – December, 2021 for the 3rd quarter of FY22.

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Name of the ESCOM	Date of Submission
BESCOM	28.02.2022
MESCOM	03.03.2022
CESC	02.03.2022
HESCOM	04.03.2022
GESCOM	04.03.2022

1. The FAC claimed by the ESCOMs are as follows:

Name of ESCOM	FAC proposed in Paise Per Unit
BESCOM	16.00
MESCOM	14.72
CESC	14.60
HESCOM	9.89
GESCOM	13.30

2. The Commission has proceeded to compute the allowable FAC for the 3rd quarter of FY22, on the basis of the following:

- i. The source - wise/ ESCOM-wise energy reconciled by the SLDC as per statement dated 24th February, 2022 for the power purchased during the period October - December, 2021.
- ii. The approved variable cost as per Tariff Order, 2021 dated 09.06.2021 has been considered for the approval of FAC for the 3rd quarter of FY22.
- iii. The allowable variable charges in respect of KPCL thermal stations have been determined based on the applicable formula as per the approved power purchase agreements between the ESCOMs and the KPCL.
- iv. The allowable variable charges in respect of NTPC- KSTPS (Kudgi), NVVNL Coal and NSM (Bundled) Stations have been recognized based on the variable

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charges as considered by the Commission in the Tariff Order 2021, dated 09.06.2021.

- v The Retail Sales for the third quarter of FY22 has been computed as per the amended Clause 5.1 of the KERC (Fuel Cost Adjustment Charges) Regulations, 2013.
3. The Commission has been repeatedly observing that, the claims of variable charges payable to the KPCL RTPS 1-7, BTPS I, II and III and YTPS Station as reported by the MESCOM and CESC for October-December, 2021 is on higher side, as compared to the actual variable charges payable. The Commission directs once again to MESCOM and CESC to correct the same as per the terms of Power Purchase Agreement with KPCL and the variations in payment shall be adjusted in future bills, accordingly. MESCOM and CESC shall report to the Commission, regarding the action taken for the recovery of the excess power purchase payment within 15 days from the date of this Order. For any lapse on the part of MESCOM and CESE, the Commission will deduct such amount in the APR to be approved for FY22.
4. The Commission notes the overall increase in the cost of power supply as reported by ESCOMs during the period October – December, 2021 as under:

ESCOM	Power Purchase Quantum in MU	Increase in cost of power purchase in Rs. Crores	Increase in cost of power purchase in Rs./Unit
BESCOM	6850.75	218.92	0.32
MESCOM	1688.12	14.32	0.08
CESC	1542.08	10.78	0.07
HESCOM	2350.14	11.44	0.05
GESCOM	2265.09	24.14	0.11
TOTAL	14696.18	279.60	0.19



5. The Commission notes that, there is increase in the power purchase cost in respect of KPCL Hydel and Thermal stations, CGS thermal stations during the 3rd quarter, as compared with the power purchase cost approved by the Commission, in its Tariff Order, 2021 dated 09.06.2021 for FY22.
6. The Fuel Adjustment Charges as claimed by the ESCOMs and as computed by the Commission, for the third quarter of FY22, are as follows:

ESCOM	As claimed by ESCOMs			As Proposed by KERC		
	FAC in Rs. Crores	Sales in MU as filed	FAC in paise per unit	Allowable FAC in Rs. Crores	Sales computed in MU with approved T&D Losses	FAC in paise per unit
BESCOM	96.72	5958.95	16.00	96.71	6475.60	14.9343
MESCOM	16.52	1122.54	14.72	9.89	1225.34	8.0692
CESC	19.50	1335.13	14.60	8.19	1335.13	6.1323
HESCOM	27.33	2763.22	9.89	28.65	3233.07	8.8607
GESCOM	24.32	1828.56	13.30	27.88	2190.00	12.7303
TOTAL	184.39	13008.40	14.17	171.31	14459.14	11.8479

7. The Commission notes that, there is net increase in the FAC ranging between 6 paise per unit to 15 paise per unit in the variable cost of thermal stations in respect of all the ESCOMs. The overall actual per unit power purchase cost incurred by the ESCOMs is also increased than the approved per unit power purchase cost, ranging between 5 paise per unit to 32 paise per unit, as per Tariff Order, 2021 dated 9th June, 2021 for the 3rd quarter of FY22.
8. The Commission notes that, there is an increase in FAC ranging between 6 paise per unit to 15 paise per unit in the variable cost of thermal stations in ESCOMs. However, the overall actual per unit power purchase cost incurred by ESCOMs has increased by 19 paise per unit, than the approved per unit power purchase cost as per Tariff Order dated 9th June, 2021.

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9. The Commission in its FAC order dated 27th December,2021 issued for the 2nd quarter of FY22 has approved the increase / decrease in FAC ranging between - 4.55 to 1.74 paise per unit and decided to carry forward the increase / decrease in FAC of 2nd quarter and allowed the same to recover / adjust along with the FAC to be approved by the Commission for the next quarter of the FY22 as under:

ESCOM	FAC in paise per unit
BESCOM	1.740
MESCOM	-0.220
CESC	-4.550
HESCOM	-3.830
GESCOM	0.610
TOTAL	-0.58

10. Accordingly, as per the provision of KERC (Fuel Cost Adjustment Charges) Regulations, 2013 and as amended, considering the increase / decrease in the FAC approved for the 2nd quarter along with the FAC of 3rd quarter of FY22, the net FAC to be collected from the consumers of ESCOMs during April – June,2022 are as under:

ESCOM	FAC to be approved for 3 rd Quarter in paise per unit	Carried Forward FAC of 2nd Quarter of FY22 in paise per unit	Total FAC to be collected during April June 22 in paise per unit	FAC rounded of to nearest paise per unit
BESCOM	14.9343	1.740	16.67	17
MESCOM	8.0692	-0.220	7.85	8
CESC	6.1323	-4.550	1.60	2
HESCOM	8.8607	-3.830	5.03	5
GESCOM	12.7303	0.610	13.34	13
TOTAL	11.8479	-0.58	11.27	11

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11. The Commission notes that, the ESCOMs in the State have filed the applications for the approval of APR for FY21, ARR for the next control period FY2023-25 and revision of Retail Supply Tariff for FY23 by proposing considerable increase in tariff ranging from 133 paise per unit to 236 paise per unit to be effective from 1st April, 2022.

12. The Net FAC of 3rd quarter to be approved by the Commission during April – June, 2022 is in the range of 2 paise per unit to 17 per unit among the ESCOMs. The validation of the proposal of the ESCOMs for Revision of Tariff for FY23 is in the process and the Orders on the same is required to be issued shortly as per the provisions of Electricity Act,2003 and MYT Regulations. Allowing FAC and the revision of Retail Supply Tariff with effective from 1st April, 2022 will result in severe burden to the end consumers, who are presently suffering from poor financial conditions due to setback in all the economic activities on account of restrictions and measures initiated by GOI / GOK during the pandemic COVID-19 period.

13. As such the Commission is of the opinion that, the issue of both the FAC order along with revision of Retail Supply Tariff order for the ensuing year FY23 is a burden to the end consumer in the State particularly during the present adverse economic situation. The Commission by considering the gradual picking up of the economic activities in the State due to the reduction in the COVID-19, to safeguard the interest of consumer in the State, Commission decides to carry forward the net FAC of 3rd quarter (October-December, 2021) to the next quarter and allow the same to be recovered/adjusted along with the FAC if any to be approved by the Commission for the 4th quarter of the financial year 2022.

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Therefore, the Commission hereby orders as follows:

Order

In accordance with the provisions of the KERC (Fuel Cost Adjustment Charges) Regulations, 2013 and amendments thereon, the Commission, has recognized the net increase in FAC ranging between 2 paise per unit to 17 paise per unit (including carried forward FAC increase/decrease in 2nd quarter) in the variable cost in ESCOMs during 3rd quarter of FY22, along with the increase in overall power purchase cost during the 3rd quarter of FY22 and the proposal of the ESCOMs for considerable increase in Retail Supply Tariff for FY23, the allowance of the FAC of the 3rd Quarter during April-June, 2022 may result in financial burden to the end consumers who are presently suffering from adverse economic conditions due to setback in all the economic activities in the State on account of COVID-19 Pandemic. Hence Commission, in order to safeguard the interest of the consumer in the State, particularly during the present period of economic slowdown, decides to carry forward the increase in FAC of the ESCOMs to the next quarter and allow the same to be recovered / adjusted along with the FAC, if any, to be approved by the Commission for the 4th quarter of the FY22.


(H.M. Manjunatha) 23/3/2022
Officiating Chairperson


(M.D. Ravi) 23/3/2022
Member