

ಹುಬ್ಬಳ್ಳಿ ವಿದ್ಯುತ್ ಸರಬರಾಜು ಕಂಪನಿ ನಿಯಮಿತ

(ಕರ್ನಾಟಕ ಸರ್ಕಾರದ ಸಂಪೂರ್ಣ ಸ್ವಾಮ್ಯಕ್ಕೆ ಒಳಪಟ್ಟಿದೆ.)

ಪ್ರಧಾನ ವ್ಯವಸ್ಥಾಪಕರು (ತಾಂತ್ರಿಕ)

1ನೇ ಮಹಡಿ, ಕಾರ್ಪೋರೇಟ್ ಆಫೀಸ್, ನವನಗರ,
ಪಿ.ಬಿ.ರೋಡ್, ಹುಬ್ಬಳ್ಳಿ - 580 025.



HUBLI ELECTRICITY SUPPLY COMPANY
LIMITED

(Wholly owned Govt. of Karnataka undertaking)

General Manager (Tech)

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Navanagar, P.B.Road, Hubballi-580025

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Corporate Identity Number (CIN): U31401KA2002SGC030437

No: HESCOM/GM (T)/EE-RA/AO/20-21/
Encl : 1 original + 10 photo copies.

14375 .

Date:

30 DEC 2020

To,
The Secretary,
Karnataka Electricity Regulatory Commission,
No. 16, C-1, Millers Bed Area,
Vasant Nagar,
Bengaluru-560 052.

Sir,

Sub : Compliance of Preliminary Observations on HESCOM's application
for approval of APR for the FY-20 and ARR for the FY-22.

Ref : Your Letter No : B/05/20/1000 Dtd : 16.12.2020

Adverting to the above, I am directed to submit the Compliance of Preliminary Observations on HESCOM's application for approval of APR for the FY-20 and ARR for the FY-22 along with annexures in 1 original + 10 photo copies for kind perusal.

Yours faithfully,

Executive Engineer (EI)
RA Section

ನೋಂದಾಯಿತ ಕಛೇರಿ: ನಿಗಮ ಕಛೇರಿ, ನವನಗರ, ಪಿ.ಬಿ ರೋಡ್, ಹುಬ್ಬಳ್ಳಿ - 580025, ಕರ್ನಾಟಕ

Registered Office: Corporate Office, Navanagar, P. B Road, Hubballi - 580025, Karnataka

Website: hescom.karnataka.gov.in

**BEFORE KARNATAKA ELECTRICITY REGULATORY COMMISSION AT,
BENGALURU.**

FILLING No....

Case No....

In the matter of:

An Application for Approval of Annual Performance Review for FY-20 and Approval for ARR & ERC FY-22 under Section 61 & 62 of the Electricity Act, 2003 read with relevant Regulations of KERC (Tariff) Regulations including KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006, MYT Order No. D/01/6 dated 31-05-2006. The Compliance of Preliminary Observations on HESCOM's application for approval of APR for the FY-20 and ARR for the FY-22.

In the matter of:

Hubli Electricity Supply Company Limited,
Corporate Office, Navanagar,
P.B. Road,
Hubli-580025.

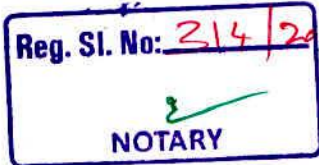
AFFIDAVIT

I, M. Praveenkumar son of Sri. Honnappa K. Mugali aged 35 years, working at Corporate Office, HESCOM, P.B. Road, Navanagar, Hubballi -580025, do solemnly affirm and say as follows.

I am the Addl. Charge of Executive Engineer (EI), Regulatory Affairs, Corporate Office HESCOM Hubballi and I am duly authorized to submit the application for approval of APR for FY-20, approval of ARR & ERC for FY-22 and Tariff Filing for FY-22 before the Hon'ble Commission.

The compliance for Preliminary Observations on the Applications for approval of APR for FY-20, ARR & Retail Supply Tariff for FY-22 herein now shown to me are true to my knowledge and the statements made in the application are based on information I believe them to be true and correct.

Solemnly affirmed at Hubballi on this day 30th December, 2020 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.



Place: Hubballi
Date: 30.12.2020



Executive Engineer (EI)
RA Section HESCOM, Navanagar,
Hubballi - 580025.

NO. of Corrections

② - no only ✓
NOTARY.

SOLEMNLY AFFIRMED BEFORE ME

NOTARY.

30 DEC 2020

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HUBLI ELECTRICITY SUPPLY COMPANY LIMITED

Preliminary Observations on the Applications filed by the HESCOM for approval of APR for FY20 and ARR & Retail Supply Tariff for FY22 under MYT Framework

1. Sales

A. Sales –other than IP sets :

OBSERVATION :

Data inconsistency:

At pages 166 & 217, the energy sales indicated for FY19 for LT-4a category is 6729.14 MU, whereas the Commission, in its Tariff Order dated 04.11.2020, has approved sales to an extent of 6726.87 MU. This shall be rectified and accordingly the total for FY19 shall be revised to 11757.72 MU.

COMPLIANCE:

At pages 166 & 217, the total sales is revised as 11757.72 MU considering the approved sales to an extent of 6726.87 MU for LT-4(a) category and annexed as Annexure -A&B for kind consideration of the Commission.

I. Annual Performance Review for FY20 :

OBESRVATION :

The Commission, in its Tariff Order, 2019 dated 30.05.2019, had approved total sales to various consumer categories for FY20, at 11745.40 MU, as against the HESCOM's proposal of 11887.79 MU, excluding sales to HRECS & SEZ. The actual sales of HESCOM as per the current APR filing [D-2 Format], is 11023.34 MU, indicating decrease in sales to the extent of 722.06 MU as compared with the approved sales. The decrease in sales is 14.87 MU in HT-categories and 707.19 MU in LT-categories.



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The category-wise sales approved by Commission and the actuals for FY20 are indicated in the table below:

Sales in MU

Category	Approved	Actuals	Difference (Actuals- Approved)
LT-1 BJ/KJ above 40 units/month	44.93	50.23	5.30
LT-2a	1549.40	1512.23	-37.17
LT-2b	23.35	21.47	-1.88
LT-3	497.77	492.90	-4.87
LT-4b	17.94	15.62	-2.32
LT-4c	1.02	0.82	-0.20
LT-5	330.68	324.29	-6.39
LT-6	333.52	328.33	-5.19
LT-6	151.62	148.53	-3.09
LT-7	33.08	33.08	0.00
HT-1	263.20	280.39	17.19
HT-2a	1065.71	1102.46	36.75
HT-2b	129.64	130.12	0.48
HT-2c	94.15	77.19	-16.96
HT-3a & b	338.38	282.51	-55.87
HT-4	14.37	15.93	1.56
HT-5	24.82	26.80	1.98
Sub total	4913.58	4842.89	-70.69
BJ/KJ	212.35	194.55	-17.80
IP	6619.47	5985.90	-633.57
Sub total	6831.82	6180.45	-651.37
Grand total**	11745.40	11023.34	-722.06

****Excludes sale to HRECS and SEZ.**

From the above table it is noted that the major categories contributing to the decrease in sales as compared to the estimates are LT-2a, HT-2c, HT-3 and IP sets. Further, the increase in sales is mainly in HT-1 and HT-2a category.

HESCOM has stated that the variance in sales cannot be explained, in view of diversified geographical nature of area under HESCOM.

HESCOM has submitted that 43 consumers under SIS have consumed 82.79 MU and due to SIS, there is increase in HT-2a sales. The above partly explains the increase in sales to HT-2a category.



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Further, in the case of LT-2a, the decrease is attributed by HESCOM to the use of energy efficient appliances like LED bulbs, EE fans etc. The savings computed by HESCOM is 54.83 MU due to LED bulbs, 0.839 MU due to LED tube lights and 0.232 MU EE fans, totalling to 55.901 MU.

The Commission notes that the savings worked out by HESCOM is cumulative. Considering the number of bulbs of 170041 added during FY20, the savings would be 4.18 MU, for 1403 tube-lights it would be 0.04 MU and for 1550 fans it would be 0.06 MU, totalling to 4.28 MU, whereas the actual reduction is 37.17 MU in LT-2a.

The reduction in sales to HT-2c & HT-3 categories may be due to reduction in the number of installations than the estimates.

Even though the number of installations in **HT-1 has reduced compared to the estimates, the sales have increased by 17.19 MU. HESCOM shall analyse the reasons for the same.**

COMPLIANCE:

In case of HT-1, the number of installations for FY-19 is 364 and consumption is 270.96 MU. i.e., consumption per installation is 0.74 MU. Number of installations for FY-20 is 384 and consumption is 280.39 MU. i.e., consumption per installation is 0.73 MU. Hence compared to previous year consumption, the sales for FY-20 seems to be normal.

Further to validate the sales for FY20, HESCOM shall furnish the following information:

In order to analyse reduction in HT sales, HESCOM shall furnish the breakup of sales data of HT2(a), HT2(b), HT 2(c) and HT-4 categories along with the consumption from open access / wheeling for the period 2018-19 to 2019-20 in the following format:

HT2A

Year	Sales by HESCOM in MU	Energy procured by HT Consumers under open access / wheeling in MU	Total of HESCOM Sales & OA/Wheeling consumption in MU	% share of OA energy to Total energy
2018-19	1160.05	226.96	1397.01	16.25
2019-20	1102.46	549.70	1652.16	33.27

HT2B

Year	Sales by HESCOM in MU	Energy procured by HT Consumers under open access / wheeling in MU	Total of HESCOM Sales & OA/Wheeling consumption in MU	% share of OA energy to Total energy
2018-19	129.88	0	129.88	0
2019-20	130.12	0	130.12	0


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HT2C

Year	Sales by HESCOM in MU	Energy procured by HT Consumers under open access / wheeling in MU	Total of HESCOM Sales & OA/Wheeling consumption in MU	% share of OA energy to Total energy
2018-19	77.94	0	77.94	0
2019-20	77.19	0	77.19	0

HT4

Year	Sales by HESCOM in MU	Energy procured by HT Consumers under open access / wheeling in MU	Total of HESCOM Sales & OA/Wheeling consumption in MU	% share of OA energy to Total energy
2018-19	14.43	0	14.43	0
2019-20	15.93	0	15.93	0

II. Category-wise sales for FY22:**OBSERVATION :**

- a) The HESCOM, in their filing have stated that the estimates for FY21 & FY22, are based on the lower of CAGR for the period FY15 to FY20 and FY17 to FY20, except in the case of BJ/KJ. For BJ/KJ the number of installations and sales has been retained at FY20 level.

Also, the Commission has noted that for energy sales estimate for FY21 and FY22, CAGR for the period FY15 to FY20 is considered by HESCOM, for LT-5, LT-7, HT-1, HT-2a, HT-4 & HT-5 categories and for other categories CAGR of FY17 -FY20 is considered.

- b) The observations of the Commission on sales forecast, are as follows:
1. In case of LT-4(b) & 4(c), HESCOM may consider estimating the sales for FY21 and FY22 based on specific consumption of FY20.

COMPLIANCE :

For LT-4(b), as the growth rate is negative as per CAGR, specific consumption of FY-20 is considered, however in case of 4(c), CAGR for FY-17 to FY-20 is considered. Hence kindly requested to consider the growth rate proposed by HESCOM.

2. The table indicating the growth rates for no. of installations are furnished as below:

Category	Percentage Growth Rates			
	2014-15 to 2019-20 CAGR	2016-17 to 2019-20 CAGR	FY20 growth over FY19	Growth rate proposed by HESCOM for FY22
LT-2a	5.00	5.48	6.17	5.00
LT-2b	6.53	4.73	1.80	4.72

LT-3	5.15	4.97	4.82	4.97
LT-5	4.62	3.83	2.26	3.83
LT-6 WS	9.76	9.32	8.56	9.32
LT-6 SL	4.88	5.02	4.70	4.88
HT-1	11.38	11.77	5.49	11.21
HT-2 (a)	9.89	10.21	8.07	9.90
HT-2 (b)	7.78	9.51	7.31	7.69
HT-2 (c)	10.55	9.15	9.23	9.04
HT-3(a)&	10.45	10.99	11.15	10.56
HT-4	-0.61	2.17	6.67	0

OBSERVATION :

It is noted that, the growth rate considered for HT-1, HT-2b & HT-2c is lower compared to the normal growth rates. Therefore, the HESCOM may consider revising the data for this category.

COMPLIANCE:

Projection is made considering CAGR for the period FY15 to FY20 and FY17 to FY20, HESCOM requests to consider the growth rate proposed by HESCOM.

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

Category	Percentage Growth Rates			
	2014-15 to 2019-20 CAGR	2016-17 to 2019-20 CAGR	FY20 growth over FY19	Growth rate proposed by HESCOM for FY22
LT-2a	4.00	2.98	4.73	2.98
LT-2b	9.43	8.50	11.07	8.50
LT-3	5.84	5.01	6.03	5.01
LT-5	0.53	0.83	-1.30	0.53
LT-6 WS	10.06	6.29	5.34	6.49
LT-6 SL	2.21	0.41	-0.84	0.40
HT-1	7.43	9.18	3.48	7.43
HT-2 (a)	3.55	9.32	-4.96	3.55
HT-2 (b)	2.58	2.56	0.19	2.56
HT-2(c)	10.26	5.19	-0.95	5.18
HT-3(a)& (b)	15.51	9.53	-16.14	9.52
HT-4	0.29	3.18	10.39	0.31

OBSERVATION :

Considering the previous year growth and 3-year CAGR, estimates for HT-4 category is lower. HESCOM may consider revising the data for these categories.


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COMPLIANCE:

Projection is made considering CAGR for the FY15 to FY20, HESCOM requests to consider the growth rate proposed by HESCOM.

B. Sales to IP sets:

OBSERVATION :

1. Sales for FY20:

a. The Commission, in the APR for FY19, vide its tariff order 2020, has approved the total sales to IP sets as 6,726.87 MU (after disallowing 2.27 MU) with a specific consumption of 8,268 units per IP set per annum for FY19. HESCOM, in its current filing has indicated the sales to IP sets as 5,985.90 MU for FY20 with a specific consumption of 6,339.69 [mid-year installations 9,44,195 {(957838 + 930551) / 2}] units per IP set per annum. The Commission notes that there is a drastic decrease in the specific consumption by 1,928.31 (8268 – 6339.69) units per IP set per annum for FY20 as **compared to FY19 actuals considering an insignificant increase in number of consumers by 27,287 (9,57,838 – 9,30,551)**. The reasons for this drastic decrease in the specific consumption for FY20 needs to be analyzed and explained. HESCOM shall furnish the number of installations, mid-year installations, approved sales and specific consumption for the previous 5 years.

COMPLIANCE:

HESCOM in its tariff filing has submitted the sales to IP sets as 5985.90 MU for FY 2020 with a specific consumption of 6339.69 units per IP set per annum. The sales to Ip sets for FY 19 as 6726.87 MU with specific consumption of 8268 units per IP set per annum for FY -19. HESCOM request Hon'ble Commission to note that although the No of IP sets for FY 2020 (i.e 957838 No of IP Set installations) have increased as compared to FY 2019 (i.e 930551 No of Ip set installations), in the mid of year 2019-20 North Karnataka districts such as Belagavi, Vijayapur and Bagalkot Districts of HESCOM Jurisdiction have faced heavy rains & flooding. Due to which HT & LT infrastructure feeding to EIP feeders were damaged. The restoration work was carried out from Aug-19 to Jan-20 in stages. Also, the fields were inundated with water & Ip consumption was low until Jan-2020. Hence IP set sales and Specific consumption per IP set for FY 20 as per HESCOM tariff petition may kindly be considered.

Further the number of installations, mid-year installations, approved sales and specific consumption for the previous 5 years are as follows.



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Statement showing No. of IP Set installations less than 10 HP (LT4 (a)) and approved sales.

Sl No	Year	No. of IP Set installations less than 10 HP (LT4 (a))	Mid-year number of installations	Specific consumption in units/installation/ annum	Approved sales
1	FY 14-15	601939	585458	8995.86	5266.7
2	FY 15-16	637907	619923	9562.12	5439.15
3	FY 16-17	663011	650459	9195.25	5924.5
4	FY 17-18	696647	679829	8905.36	6054.12
5	FY 18-19	930551	813599	8270.83	6726.87
6	FY 19-20	957838	944195	6339.69	5985.9

OBSERVATION :

- b. The details of sales to IP sets for FY20 as approved by the Commission in its tariff order 2019 and the actual sales as furnished by HESCOM in its Tariff Filing for FY21 are as follows;

Particulars	As approved by the Commission in ARR for FY20 in the TO	As submitted by HESCOM for APR of FY20 in the TF
Number of installations	7,69,399	9,57,838
Mid-year number of installations	7,51,211	9,44,195
Specific consumption in units / installation / annum	8,811.73	6,339.69
Sales in MU	6,619.47	5,985.90

- c. HESCOM has to furnish the reasons for, drastic decrease in sales by 633.57 MU though there was a considerable increase in number of consumers by 1,88,439 (957838 - 769399) **as compared to the approved figures for FY20.**

COMPLIANCE:

HESCOM request Hon'ble Commission to note that although the No of IP sets for FY 2020 (i.e. 957838 No of IP Set installations) have been increased as compared to Commission Approved figure (i.e 769399 No of IP set installations), in the mid of year 2019-20 North Karnataka districts such as Belagavi, Vijayapur and Bagalkot Districts of HESCOM Jurisdiction have faced heavy rains and flooding. Due to which HT & LT infrastructure feeding to EIP feeders were damaged. The restoration work was carried out from Aug-19 to Jan-20 in stages. Also, the fields were inundated with water & IP consumption was low until Jan-2020. Hence IP set sales for FY 20 as per HESCOM tariff petition may kindly be considered.



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OBSERVATION :

- d. As per the month-wise data submitted by HESCOM in the Commission's prescribed format, the total sales to IP sets is stated to be 5985.576 MU, whereas in the accounts and tariff filing, it is 5,985.90 MU, with a difference of 0.324 MU. Also, the number of IP installations as furnished in the month-wise data is 9,41,725. Whereas, the number IP installations as furnished in the Tariff Filing is 9,57,838 indicating a difference of 16,113 number of IP set installations. HESCOM has to furnish the reasons for this variance.

COMPLIANCE

Hon'ble Commission is requested to note that total IP sales to IP sets is as same as in accounts and tariff filling i.e. 5985.90MU for FY 20, as there was slight mathematical error due to decimal points. Hence IP set sales for FY 20 may kindly be considered as 5985.90 MU.

Further the number of IP installations as furnished in the month wise data is as per the format given by Hon'ble commission. Where in the number of installations stated in the format are considered duly deducting the dried up IP set installations as mentioned in the format. Hence the total number of IP installations stated (i.e 9,41,725) are live installations.

OBSERVATION :

- e. Distribution losses considered for assessment of sales to IP sets varies from 10% to 12%, in the month-wise data of sales to IP set installations furnished. Such distribution losses considered for a specific feeder in each month for FY20 is different. HESCOM shall furnish the rationale for considering such inconsistent distribution losses for assessment of sales to IP sets for FY20.

COMPLIANCE :

HESCOM has a large number of EIP feeders with heavy load on each feeder. At times during faults, part of the feeder is isolated and power supply is restored. Also part of the feeders are fed from the nearby EIP feeders for early restoration of power supply.

OBSERVATION :

- f. The net consumption worked out for the month of April 2019 and May 2019 in respect of the Feeders pertaining to the Sub-division indicated as RSD are same, even though the initial and final readings of the energy meters indicated are different during the said months. HESCOM has to furnish the reasons for such consideration.


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COMPLIANCE :

April 2019 and May-2019 data related to RSD was verified and corrected accordingly in both the months. There was typographical error which is corrected and rectified and submitted for kind consideration.

OBSERVATION :

- g. It is observed that the values of gross consumption are mere values inserted, instead of showing the difference between IR, FR and multiplied with the multiplication factor. e.g., in respect of Amminabhavi Feeder, RSD Sub-division, during the months of April 2019, May 2019 and June 2019. This observation applies to all the feeders of RSD Sub-division for April and May 2019. HESCOM has to examine, rectify and re-submit the entire calculation sheet, substantiating its claim of sales to IP installations for FY20. In the absence of proper calculations, the Commission may not approve the sales for FY20.'

COMPLIANCE :

April 2019, May-2019 and June-2019 data related to RSD was verified and corrected accordingly in all the 3 months. The formulated figure has been inserted in all the months and resubmitted the data for kind consideration.

OBSERVATION :

- h. HESCOM has considered 1818 number of segregated agricultural feeders for assessment of sales to IP set installations in April 2019. Whereas, the number of segregated agricultural feeders considered for assessment of sales to IP set installations in March 2020 is 1916 feeders. HESCOM shall furnish the reasons for not considering all the segregated IP feeders throughout the year.

COMPLIANCE :

It is requested to note that, although the NJY project phase 3 has been completed in the month of August 2019 new EIP feeders are commissioned after bifurcation/Commission of new station/ feeders, link lines etc. Hence the number of feeders varies month on month.

OBSERVATION :

- i. HESCOM has not submitted the details of GPS survey of IP set installations taken up in its jurisdiction. It shall furnish the same after reconciliation with the DCB Statement figures.


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COMPLIANCE :

HESCOM furnishes the details of GPS survey of IP set installations taken up in its jurisdiction.

Status of GPS Survey of IP Sets:

Name of the ESCOM	HESCOM
Date of commencement of GPS Survey	15-07-2017
Date of completion of GPS Survey	
If incomplete, Probable date of completion:	01.03.2021

Sl No	Total Number of 11kV Feeders	No of Rural Feeder	No of Agricultural Feeder	No of Feeders for which GPS Survey is done	No. of IP sets existing as on Sept-2020 (DCB figure)	No of IP DTCs Covered	No of IP installations, covered as on	% of GPS Survey completed
							30-11-2020	
1	2	3	4	5	6	7	8=10+13	9=8/6*100
1	2164	134	2030	2074	952439	153380	906138	95.14

Data as per GPS survey as on 30-11-2020 (Authorised IP sets)			Data as per GPS survey as on 30-11-2020 (Unauthorised IP sets)		
No of IP sets surveyed	No of IP sets defunct/dried up/disconnected	Total No of live / working IP sets, LT4(a), (<10HP)	No of IP sets surveyed	No of IP sets defunct/dried up/disconnected	Total No of live / working IP sets, LT4(a), (<10HP)
10=[11+12]	11	12	13=[14+15]	14	15
820785	18839	801946	85353	1175	84178

OBSERVATION :

- j. While furnishing the details of GPS survey, HESCOM has to furnish as to whether it has considered the deleted / defunct / not in use IP sets, for assessing the sales to IP set installation.

COMPLIANCE :

Yes. HESCOM has considered the deleted / defunct / not in use IP sets, for assessing the sales to IP set installation and the details of deleted / defunct / not in use IP sets are as mentioned in above table.

OBSERVATION :

- k. HESCOM shall furnish as to whether there is difference in number of consumers in the data as per GPS survey and the IP set assessment data with the DCB Statement figures


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along with the action taken to reconcile the details of number of consumers with DCB figures and the action taken to regularize the unauthorized IP installations.

COMPLIANCE :

The reconciliation of data as per GPS survey and the IP set assessment data with the DCB Statement figures is being done every month. On finding of the un authorised IP sets during the enumeration action is being taken to disconnect the said IP set installations and further to regularise the same action is being taken as per norms.

OBSERVATION:

- i. As per the actual specific consumption for FY20 i.e., 5,985.9 units per IP set per annum, the average consumption per IP set per month should have been 498.83. From the month-wise, feeder-wise data submitted by HESCOM, it could be seen that, in some of the feeders, the average consumption per IP set per month is as huge as 11,000 units per IP set per month, whereas the same is negative and zero in a few feeders. Such a variation is seen throughout the year. HESCOM has to re-submit the data by fixing all such error and the reasons for such abnormal consumptions/ variations recorded throughout shall be explained furnishing suitable reasons.

COMPLIANCE :

The consumption on Exclusive IP feeders varies from season to season. Also during rainy season and during floods the IP consumption is minimum. It also depends on the availability of ground water in summer seasons. HESCOM has large number of river bed IP sets, consumption of which depends on water flow in the river. At times when there is excess Generation, in order to maintain Grid stability instructions are issued from SLDC, KPTCL to extend three phase load to IP sets. This varies from few minutes to few hours. This has led to higher average consumption per IP per month. Further for some feeders, feeder meters are MNR hence in such cases the average consumption is Zero.

OBSERVATION :

- m. There is large inconsistency in feeder-wise, month-wise data. HESCOM shall furnish a consistent data in excel sheets in respect of assessment of sales to IP sets for FY20.


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COMPLIANCE :

As directed feeder wise month wise assessment of sales to IP sets for FY20 details is resubmitted to Hon'ble Commission, Soft copy of the same has been submitted to Hon'ble Commission vide mail dated 30.12.2020.

OBSERVATION :

- n. Division wise number of hours of supply provided to IP sets as against the Government of Karnataka Orders for FY20 and up to September 2020 may also be furnished.

Based on the above observations, HESCOM shall submit the data towards assessment of sales to IP sets for FY20, duly furnishing clarity on the data. If the consistent data is not received, the Commission will not consider the data submitted and would take necessary action as deemed appropriate.

COMPLIANCE:

Division wise number of hours of supply provided to IP sets as against the Government of Karnataka Orders for FY20 and up to September 2020 is enclosed as Annexure C.

OBSERVATION :

2. Projected sales to IP Sets for the FY22:

- i. Sales as per actuals and the number of IP installations existing in the system during the period April 2020 to September 2020 is not considered for projection of IP sales for FY21 and thereafter, for FY22.
- ii. Instead, HESCOM has considered the number of installations added during FY20 for estimating the number of IP installations and has considered the specific consumption for FY20, without even arriving at the mid-year no. of installations, while estimating the number of installations and sales for FY21 and for FY22.
- iii. The reasons for difference in number of installations approved by the Commission for FY22, as per Tariff Order, 2019 and the projections considered in Tariff Filing by HESCOM, is not substantiated with proper reasons.
- iv. HESCOM has to submit the GPS survey data after reconciling with the DCB Statement data.
- v. **The HESCOM, in its tariff application for FY22 has not furnished total IP set's consumption for the period April to September 2020 and also not furnished the month-wise break-up, as per the prescribed formats. In the absence of clear data, the Commission may not accept the sales for FY22.**



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COMPLIANCE:

As directed Soft copy of assessment of sales to IP sets for FY21 from April-20 to July 20 had been submitted to the Hon'ble Commission by E-Mail on 18th November 2020. However, assessment of sales of IP sets for FY 21. Also, April-2020 to September-2020 feeder wise month wise details will be resubmitted to Hon'ble Commission Via mail by first week of January-2021.

OBSERVATION :

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

COMPLIANCE:**a. No. of Installations:**

Category	2018-19 Actuals		2019-20 Actuals		2020-21	
	As on 30 th Nov 2018	As on 31 st March 2019	As on 30 th Nov 2019	As on 31 st March 2020	As on 30 th Nov 2020	As on 31 st March 2021 (Estimate)
LT-2a	2626683	2682113	2801246	2847702	2915432	
LT-2b	6816	7007	6758	7133	7285	
LT-3	364779	371707	385155	389641	401931	
LT-4 (b)	863	842	842	849	855	
LT-4 (c)	368	394	412	432	447	
LT-5	116267	117989	120865	120661	123665	
LT-6 WS	44305	46004	49181	49941	51603	
LT-6 STL	23269	23831	24915	24952	25866	
LT-7	75665	85289	112491	127166	145997	
HT-1	351	364	385	384	405	
HT-2 (a)	1713	1760	1892	1902	1988	
HT-2 (b)	608	629	676	675	697	
HT2C	315	325	346	355	367	
HT-3(a)& (b)	273	278	304	309	325	
HT-4	32	30	32	32	33	
HT-5	50	59	66	65	75	
Sub Total (Other than BJ/KJ and IP)	3262357	3338621	3505566	3572199	3676971	
BJ/KJ<=40units/month	705078	718179	712212	715523	694628	
BJ/kj > 40 units/month.	54904	42349	52080	44160	64925	
IP sets-LT-4a	721291	930551	951981	957838	969671	
Sub Total (BJ/KJ and IP)	1481273	1691079	1716273	1717521	1729224	
Grand Total	4743630	5029700	5221839	5289720	5406195	

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b. Energy Sales

Category	2018-19 Actuals		2019-20 Actuals		2020-21	
	1st April 2018 to 30th Nov 2018 (cumulative)	1st Dec 2018 to 31st March 2019 (cumulative)	1st April 2019 to 30th Nov 2019 (cumulative)	1st Dec 2019 to 31st March 2020 (cumulative)	1st April 2020 to 30th Nov 2020 (cumulative actuals)	1st Dec 2020 to 31st March 2021 (cumulative Estimate)
LT-2a	999.57	444.31	1,046.47	465.76	1,157.22	
LT-2b	12.84	6.49	14.00	7.47	9.76	
LT-3	311.72	153.14	332.18	160.72	297.37	
LT-4 (b)	9.64	6.63	10.24	5.38	9.14	
LT-4 (c)	0.42	0.30	0.41	0.41	0.51	
LT-5	217.89	110.66	210.31	113.98	199.07	
LT-6	200.51	111.18	221.90	106.43	226.65	
LT-6	97.15	52.64	99.16	49.37	99.62	
LT-7	22.16	10.58	22.46	10.62	20.36	
HT-1	173.68	97.28	176.83	103.56	217.07	
HT-2 (a)	780.14	379.91	759.68	342.78	573.30	
HT-2 (b)	85.30	44.58	87.98	42.14	64.28	
HT2C	54.06	23.89	55.70	21.49	38.69	
HT-3(a)& (b)	245.44	91.46	209.62	72.89	231.10	
HT-4	9.92	4.52	10.49	5.44	11.56	
HT-5	23.36	5.66	19.95	6.85	17.40	
Sub Total (Other than BJ/KJ and IP sets)	3,243.79	1,543.21	3,277.38	1,515.28	3,173.10	-
BJ/KJ<=40units/month	135.08	64.86	131.38	63.17	134.98	
BJ/kj > 40 units/month.	30.31	13.60	36.06	14.17	54.92	
IP sets LT 4a	4,359.97	2,369.18	3,901.62	2,084.28	3,703.97	
Sub Total (BJ/KJ and IP)	4,525.35	2,447.64	4,069.06	2,161.62	3,893.87	-
Grand Total	7,769.14	3,990.84	7,346.43	3,676.91	7,066.97	-

D. Sales to HRECS:

OBSERVATION :

For FY-20 to FY-22, HRECS has considered the following quantum of purchase (interface points) from HESCOM (including AEQUS sales):

	FY20	FY21	FY22
HRECS Estimate-MU	323.66	343.99	364.60

HESCOM shall confirm, whether the above quantum of sales to HRECS is considered, while arriving at the overall power purchase requirement for HESCOM.

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COMPLIANCE:

For FY-21 and FY-22, quantum of sales to HRECS is considered while arriving at the overall power purchase requirement for HESCOM. HRECS had furnished the energy requirement for FY-21 and FY-22 vide e-mail Dtd. 23.10.2020 as stated below, same has been considered while arriving at the overall power purchase requirement for HESCOM as noted in the A1 Format. For FY-20, the actual sales to HRECS IS 323.66 MU. Email copy received from HRECS is enclosed as Annexure-D.

Praticulars	FY21	FY22
HRECS Hukkeri (Including transmission loss) in MUs	325.31	344.21
HRECS Hukkeri (Including transmission loss) in MUs	29.80	32.18
Total	355.11	376.39

2. Power Purchases:**OBSERVATION:****A. APR for FY 20:**

1. HESCOM, in D1- Format, has indicated the actual per unit cost of Rs.9.53 for the BTPS unit-1 Generating station which is on the very higher side, when compared with the approved per unit cost for FY20. In this regard, HESCOM shall submit the reason for the same duly furnishing the month-wise computation sheet for FY20.

COMPLIANCE:

HESCOM has admitted bills as per KPCL claims. Month wise computation sheet enclosed as annexure. E.

OBSERVATION :

2. HESCOM shall indicate the actual energy sold to IEX in the D1 statement and also furnish the month-wise details of the energy traded.

COMPLIANCE:

In D1 statement, Actual energy sold to Indian Energy Exchange (IEX) of 283.59MU has been shown. Month-wise details of the energy traded by PCKL on behalf of HESCOM shown in Annexure-F.



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OBSERVATION :

3. The Commission, in its Tariff Order dated 30th May, 2019 has directed HESCOM as under:
“The Commission notes an abnormal contribution from the State towards payment of PGCIL transmission charges. Due to this there will be a substantial financial impact, resulting in an increase in the retail supply tariff to the end consumers. The Commission, therefore, directs ESCOMs/PCKL to take appropriate action immediately, to resolve the issues with the appropriate authorities regarding the PGCIL transmission tariff. Henceforth, ESCOMs/PCKL shall constitute a dedicated team, which studies the pros and cons of any methodologies/amendments proposed to PGCIL’s Transmission tariff or in any such other relevant matters, and shall effectively communicate the same to the concerned authorities, at the draft stage itself. The Commission will not allow such tariff in future, if it considers that the ESCOMs/PCKL have not taken effective and prompt steps to ensure that the PGCIL’s transmission tariff is fair and equitable to the State”

HESCOM shall furnish the latest status on the issue and the action taken in the matter.

COMPLIANCE:

Due to addition of capacity and addition of Transmission lines, PGCIL Transmission Charges have been increased.

The New CERC (Sharing of Inter State Transmission Charges and Loss) Regulation, 2020 has come into force with effect from 1.11.2020. With the change in the methodology of calculation, the PoC charges payable by ESCOMs of Karnataka for the month of November 2020 will be ascertained after 25th December 2020 only. Hence, the POC charges as per RTA for the month of October-2020 is considered for FY 2021-2022 which includes POC, Reliability Support Charges and HVDC Charges. Considering the POC of October 2020, the total POC payable by ESCOMs for the year 2021-22 is works out to be Rs.2813.31 Crores.

ESCOMs	POC Charges Rs. Crs.
BESCOM	1478.98
GESCOM	351.86
HESCOM	461.94
MESCOM	254.57
CESC	265.97
Total	2813.31

The new Regulation does not specify the POC charges applicable for Karnataka State. Any changes in the existing POC charges, the same will intimated to Hon’ble Commission after notified the charges applicable for Karnataka State from November 2020 onwards.


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OBSERVATION :

4. The Source-wise consolidated energy reconciliation statement done by SLDC for the energy for FY20, shall be furnished.

COMPLIANCE:

As per SLDC Energy balancing at 33KV the energy underdrawn by HESCOM is -1302.51 MU and PP cost receivable is Rs.540.249 Cr. Further inter-ESCOM Flow (Export and Import) Energy at 11KV is -35.681 MU and PP Cost Receivable is Rs.14.883Cr. Total Energy Balancing is -1338.191 MU and PP Cost Receivable is Rs.555.132Cr. Reconciliation Statement for the energy balancing for FY-20 enclosed in Annexure-G

OBSERVATION :

5. HESCOM shall furnish the plant-wise details of total energy utilized and unutilized in the format annexed at **Annexure-1**, considering the merit order dispatch. Any deviation from merit order scheduling should be explained fully.

COMPLIANCE:

Plant-wise details of total energy utilized and unutilized considering the merit order dispatch is enclosed in Annexure-1

B. ARR for FY22 (ARR):

OBSERVATION :

- b) HESCOM, in its filing has indicated its power purchase requirement of 14491.67MU at a cost of Rs. 6973.27 Crores, with a per unit cost of Rs.4.81 for the FY22. The Commission, under MYT Tariff Order 2019, had approved energy requirement of 15886.61 MU at a cost of Rs.7783.18 Crores with a per unit cost of Rs.4.90 for FY22. HESCOM shall furnish the basis of projecting the source- wise energy for FY22 duly explaining the reasons for projecting reduced quantum of energy, which is contrary to the steadily increasing daily consumption in the State, as is evident in the daily load curve statement, generated by the SLDC.

COMPLIANCE:

The source wise energy availability projected based on the following factors

1. KPCL hydro and Thermal Stations

The Energy availability of Hydel and Thermal stations of State Owned Power plants are considered as per the details furnished by KPCL in its email dated 18.11.2020 including Yaramarus Thermal Power Project. The energy projected by KPCL in respect of hydro stations is based on average energy generated in last 10 years with a 1% auxiliary consumption as per PPA. Energy availability in respect of Thermal Stations is as per the


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targeted availability defined in the PPA/Regulations wherever applicable and less by applicable auxiliary consumption of each station. The KPCL has projected the Yelahanka Combined Cycle power project is available from FY July 2021.

2. Central Generating Stations

The net energy available at ex-bus generation prepared by SRPC for LGBR for the year 2020-21 is considered for 2021-22. Out of the total month wise energy available at Ex-bus of the Station, the share of Karnataka including unallocated share for the month of October 2020 is taken to arrive the energy available to Karnataka for FY 2021-22. In order to arrive energy available at Karnataka Periphery, all India Transmission loss for the week from 16.11.2020 to 22.11.2020 as notified by the NLDC has been considered.

3. The energy availability of DVC stations as per the data furnished by DVC for the year 2020-21 in the email dated 5.11.2019 is considered.
4. **UPCL** : The generation of 1200 MW of UPCL Unit -1 & Unit-2 taken at 85% of 90% installed capacity as per PPA/ approval given by Government.
5. **TBHE and Jurala Generation** : The actual energy drawal from Jurala Priyadarshini and TBHE for the year 2019-20 has been considered for the financial year 2021-22
6. **Renewable Generation** : In respect of RE projects, energy actual purchased during year 2020-21 up to Sep-2020 and actual energy purchased for the period from Oct-2019 to March 2020 has been considered for FY 2021-22.

Projection is made considering the energy requirement for FY-22 arrived based on the FY-20 audited accounts.

OBSERVATION :

- c) HESCOM, in its filling has indicated the energy balancing figure of 528.44MU at a cost of Rs.268.31 Crores for FY22. The basis for the said projection shall be furnished.

COMPLIANCE:

The projected energy and cost allocated among the ESCOMs is as per GoK order Dated 08.05.2020 for FY 2021-22 except energy from the RE projects. As per this, HESCOM will be allocated total energy of 13963.24 MUs, however requirement of HESCOM for the FY 22 is 14491.67 MU, thereby the excess energy of BESCO allocation would be used by other ESCOMs. The average cost of BESCO projected from all the sources works out to Rs 5.0775/ per unit. The same cost is considered for the excess energy of BESCO used by other ESCOMs.



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OBSERVATION :

- d) HESCOM, in its filing has not submitted D-1 Format with the actual source-wise energy and its cost for the FY21. Hence HESCOM shall furnish the details in D-1 Format by taking the actuals up to November, 2020 and projection for the remaining period of FY21, along with the cost thereon.

COMPLIANCE:

D-1 Format by taking the actuals up to November, 2020 and projection for the remaining period of FY21, along with the cost thereon is enclosed as Annexure H.

OBSERVATION :

- e) The basis and the computation sheet for reckoning the fixed cost and variable charges in respect of each of the conventional energy generating stations, shall be furnished.

COMPLIANCE:

The Tariff in respect of Central Generating Stations like NTPC, NLC and DVC stations for the Control period 2019 to 2024 is yet determined by CERC for the stations belonging to Generators. The Capacity charges billed by generator to ESCOMs of Karnataka for the year 2020-21 are considered for the FY 2021-22. The capacity charge considered based on various orders are as detailed below;

Sl. No.	Stations	Date of order/as per claims	Capacity charges applicable for 2021-22 (Amount in Rs. Crore)
1	RSTP-I&II	As per bill	1057.68
2	RSTP-III	As per bill	268.05
3	RSTP-Talcher	As per bill	996.95
4	Simhadri station II	As per bill	1066.71
5	Vallur unit-I & II	11.7.2017	1858.96
6	NLC II Stage-1	12.6.2017	299.80
7	NLC II Stage-2	12.06.2017	414.29
8	NLC expansion I	18.10.2016	276.18
9	NLC expansion Stage II (U-1)	24.7.2017	728.06
10	New NLC Thermal projects	29.1.2020	996.25
11	NTPL-2X 500 MW	11.7.2017	1090.17
12	Kudigi	As per the bill	2795.24
13	DVC-Mejia	3.10.2016	1019.21
14	DVC-Koderma	28.2.17	1175.74

The average variable cost for the month of Aug-2020, Sep-2020 and Oct-2020 is considered for energy charges for FY 2021-2022. In respect of MAPS, Kaiga, and


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Kudamkulam power station the average rate per unit for the months of Aug-2020, Sep-2020 and October -2020 is considered.

Rs/ unit

Particulars	MAPS	Kaiga Units 1 to 4	Kudamkulam Unit -1	Kudamkulam Unit -2
Base Price	2.427	3.270	3.545	3.545
Heavy Water adjustment charges	0.002	0.000	0.379	0.379
Heavy Water lease adjustment charges	0.000	0.015	0.000	0.000
Insurance	0.100	0.062	0.042	0.042
Decommissioning Levy	0.020	0.020	0.020	0.020
Forex Variation Adjustment Charges	0.050	0.050	0.053	0.053
Nuclear Liability & Forex adjustment	0.000	0.000	0.050	0.050
Others			0.000	0.000
Total tariff	2.599	3.417	4.090	4.090

The capacity charges (Fixed Cost) and variable cost considered for 2021-22 in respect of Central Generating stations are detailed below.

Central Projects	Fixed Cost (Rs in Cr)	Variable Cost (Paise per Kwh)
N.T.P.C-Ramagundam	199.85	241.27
NTPC-VII	53.66	237.87
NTPC-Talcher	182.76	208.77
NLC TPS2-Stage 1	69.92	268.57
NLC TPS2-Stage 2	97.47	277.17
NLC TPS1-Expn	71.62	255.20
NLC II Expansion-1	188.33	262.47
New NLC Thermal Power project	73.94	234.40
MAPS	0.00	259.88
Kaiga unit I &II	0.00	341.67
Kaiga Unit 3 &4	0.00	341.67
Simhadri Unit -1 &2	199.68	296.43
Vallur TPS Stage I &2 &3	210.99	314.80
NTPL	234.17	288.43
KudamKulam Unit1	0.00	408.95
KudamKulam Unit2	0.00	408.95
Kudigi	1494.87	346.40
DVC- Mejia thermal Power Station	203.84	273.37
DVC Kodemma thermal Power Station	293.93	247.63



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OBSERVATION :

- f) HESCOM shall furnish the basis and the document in consideration of the fixed cost and the variable cost in respect of BTPS unit-3, YTPS units.

COMPLIANCE:

KPCL has not yet declared Commercial Operation of its Yelahanka Combined Cycle Power Plant and tariff yet to be determined by KERC. Hence, tariff proposed in the E-mail dated 18.11.2020 of KPCL is considered for all thermal generating stations including YTPS units, as detailed below. These tariffs are subject to revision based on Generation Tariff Regulation 2019 determined by KERC.

Sl. no.	Stations	2021-22	
		Fixed cost Rs in Crores	Variable cost Paise per Kwh
1	RTPS unit 1 to 7	941.99	300.00
2	RTPS unit-8	248.30	280.00
3	BTPS unit-1	323.78	295.00
4	BTPS unit-II	463.39	294.00
5	BTPS Unit-III	990.43	299.00
6	Yelahanka Combined Cycle	356.08	320.00
7	Yermarus TPS - 1 & 2	2269.10	290.00

OBSERVATION :

- g) HESCOM shall furnish source-wise capacity and quantum of energy to be procured from RE projects, for which it has executed the PPAs.

COMPLIANCE:

Sl No	RE Sources	Commissioned Capacity in MW	Likely to be Commissioned Capacity in MW	Forecasted energy (in MU)	Total Cost Rs. Crs.
1	Co-generation			415.72	153.78
2	Biomass			0.00	0.00
3	Mini Hydel			86.82	31.52
4	Wind mill			1874.00	777.52
5	KPCL wind mill			0.00	0.00
6	Solar			1782.86	826.35
7	Solar rooftop			0.00	0.00
8	KPCL Solar			3.13	1.88
9	NTPC Bundled Power Solar			22.99	24.21
10	Wind MOA			221.84	77.93
11	NTPC Bundled Power Solar, Pavagada			262.35	125.95
Total				4669.72	2019.13

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OBSERVATION :

- h) HESCOM shall furnish the methodology for forecasting the RE energy from different sources for FY22.

COMPLIANCE:

In respect of RE projects, energy actual purchased during year 2020-21 upto Sep-2020 and actual energy purchased for the period from Oct-2019 to March 2020 has been considered for FY 2021-22.

OBSERVATION :

- i) HESCOM, in its filing as per D-1 Format, has claimed the actual amount of Rs.432.75 Crores as PGCIL charges as against Rs.392.05 Crores approved by the Commission for FY 20. HESCOM shall furnish month-wise computation/ details for having paid the charges to PGCIL for FY20 and for FY21 up to 30th November, 2020.

COMPLIANCE :

The details of month-wise payment of PGCIL charges for FY-20 is Rs.432.75 Crores and for FY-21 is Rs.273.88 Crores Up to 30th November, 2020 attached in Annexure-I.

3. Distribution Losses:

A. APR for FY 20:

OBSERVATION :

1. HESCOM, in its APR filing for FY 20, has indicated the actual distribution loss of 14.10% as against the approved distribution loss of 14.40%, and has shown a reduction by 0.52% over FY19 Losses. The Commission desires to know the action taken by HESCOM in reducing of distribution loss much below the approved level.

COMPLIANCE:

HESCOM has taken up various extensions and improvement works in order to reduce distribution losses. Under the action plan for reduction of losses in HESCOM area, the details of initiatives taken are as below:

- All the 593 interface points between KPTCL & HESCOM are metered and the energy received at all these points are measured and accounted.
- 56638 Nos of MNR meters are replaced for FY-2020. All efforts are being made to ensure that DC or MNR installations are within 1%.


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- Replacement of 10-year-old Electro-mechanical meters by high precision static meters in the jurisdiction of HESCOM is being taken up at regular intervals. So far in total 310804 Nos of EM meters have been replaced by Electro static meters for FY-2020.
- Rigorous vigilance activities are being done to detect and curb theft of electricity regularly. No. of Cognizable cases -2006 Nos, No of Non-Cognizable cases-6945 Nos are identified during inspection for FY -2020
- Reconductoring of HT and LT and bifurcation of lengthy feeders has been carried out.
- Regular rating of HT and LT installations by MT staff are being conducted as per KERC regulations.
- Load balancing on the DTRs.
- Achieving 100% reading and billing of LT installations.
- Minimizing the Door Lock & unread installations (i.e., By taking readings on subsequent dates).
- Proper metering of street light and water supply (LT-6) installations for monitoring the consumption.
- To continue all out-efforts in increasing the metered consumption & issuing of 100 % bills.
- Customer awareness programmes is being done to educate and create awareness for saving of electricity and using energy efficient equipment's.

OBSERVATION :

2. HESCOM in its filing, has not indicated the transmission loss energy for FY20 in their distribution area network and hence HESCOM shall explain the reason for the any substantial variance in the transmission losses for FY 20 as compared with the approved transmission losses by the Commission.

COMPLIANCE:

HESCOM has indicated the transmission loss energy for FY-20 in format A-1 in page No : 315. The transmission loss energy proposed for truing up FY-20 is 419.70 MU which is 3.129 % against Commission approved 448.03 MU which is 3.162% in Tariff Order 2019 and there is no substantial variance.


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OBSERVATION :

3. HESCOM shall furnish the actual data of Energy Audit for Town and Cities covered in its area of supply in the following format:

Name of the Town /City	FY20			FY21(upto Nov'2020)		
	Energy Input in MU	Energy Sold in MU	% distribution loss	Energy Input in MU	Energy Sold in MU	% distribution loss
Total						

COMPLIANCE:

The details of Town energy audit as per the format is enclosed for kind consideration.

Name of the Town/City	FY-20			FY-21 (Upto October DCB)		
	Energy Input in MU	Energy Sold in MU	% of Distribution Loss	Energy Input in MU	Energy Sold in MU	% of Distribution Loss
Hubli	429.697	392.386	8.68	194.475	184.714	5.02
Dharwd(U)	192.999	175.822	8.90	86.214	82.873	3.88
Gadag	70.323	61.518	12.52	34.105	31.872	6.55
Haveri	31.776	28.724	9.60	15.184	14.019	7.67
Ranebennur	42.710	37.231	12.83	21.872	19.394	11.33
Sirsi	34.496	31.776	7.88	16.802	15.391	8.40
Dandeli	24.353	22.279	8.52	12.576	11.472	8.78
Karwar	48.805	44.929	7.94	23.884	22.906	4.09
Belagavi U	290.524	283.043	2.57	190.667	172.147	9.71
Gokak	27.907	24.846	10.97	19.688	18.171	7.70
Nippani	24.199	21.502	11.15	14.851	14.043	5.44
Bagalkote	77.873	69.399	10.88	34.929	30.806	11.80
Ilakal	35.762	32.648	8.71	20.010	18.215	8.97
Rabakavi+Banhatti	11.139	9.654	13.33	11.155	9.706	12.99
Jamakhandi	24.179	21.207	12.29	14.165	12.699	10.35
Vijaypur	156.459	136.380	12.83	111.184	105.720	4.92
TOTAL	1523.200	1393.346	8.53	821.760	764.148	7.01

B. ARR for FY 22:**OBSERVATION :**

1. HESCOM, in its application, has projected the distribution losses of 14.00% for both FY21 and FY22 as against the Commission approved revised losses of 14 % for FY21. The Commission notes from the audited accounts that, HESCOM has achieved the distribution losses of 14.62% and 14.10% during FY19 and FY20, a reduction of 0.52% for FY19. Considering the capital expenditure incurred by the HESCOM in the previous years, up to


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FY20 and the proposed capex for FY21 and FY22, a meager proposed reduction of losses by 0.10% over 2 years, cannot be considered as reasonable and acceptable. Hence, HESCOM shall reassess the loss reduction targets and submit the revised distribution losses for FY21 and FY22.

COMPLIANCE

HESCOM has achieved the distribution losses of 14.62% and 14.10% during FY 19 and FY 20 a reduction of 0.52% for FY 19 is observed. This reduction is partially due to the loss reduction measures carried out by HESCOM and partially due to HT and LT infrastructure that were affected and kept out of service due to heavy rain and un precedent flooding that occurred during last year.

With good rains and availability of ground water it is predicted that consumption will increase in the coming months. Hence 14% distribution loss for FY21 and FY 22 has been projected. However, every effort will be made by HESCOM to bring down the distribution loss below 14%. Hence it is once again Hon'ble Commission is requested to consider the projected 14% loss for FY 21 and FY 22.

OBSERVATION :

2. HESCOM, while proposing the capital expenditure shall prioritize investments specifically to reduce losses and improve reliability of distribution system in order to reduce the distribution losses. HESCOM should also identify high loss making feeders and the high loss making subdivision, division and circles to prioritize investments. But no such details are indicated in the filing. HESCOM has to monitor the optimal distribution system to ensure that the loss should be less than 10% even to maintain the voltage regulations within the permissible limits of 9% for 11kV system and 6% for LT distribution system. In order to bring down the distribution system losses below 10%, HESCOM has to draw an action plan and submit the same to the Commission.

COMPLIANCE:

As directed, list of high loss-making feeders in the all the divisions have been tabulated and feeder wise action plan will be submitted through mail for kind consideration.


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4. RPO Compliance:

OBSERVATION :

A. RPO for FY20:

- a. The Commission notes that HESCOM has submitted the RPO data for both solar and non-solar compliance for FY20. Excluding, hydro the input energy for as per D1-Format should be 8536.55 MU FY20 [13736.93-5183.69 (KPCL-hydro) +16.97 (Shimsha)-27.88MU(Jurala)-5.78 MU(TBHE)], whereas HESCOM has indicated the same as 8989.28 MU at page 185 for RPO calculations. Further as per D-1 Format the energy purchased is 13736.93 MU against 13413.26 MU indicated at page-184. Similarly, KPCL Hydel & KPCL Total at Page 175 does not tally with D-1 Format data. Mini-hydel in D- Format is 43.34 MU whereas at pg.182, it is indicated as 46.736 MU. **The source-wise data shall be reconciled as per audited accounts. Also, HESCOM shall indicate the hydro energy accounted in energy balancing separately and consider power purchased from Shimsha for compliance of Non-solar RPO.**

COMPLIANCE:

The details of RPO for FY-20 for solar and non-solar is furnished in Annexure-J.

As per D.1 format, Total energy purchased is 15075.11MU which includes energy Purchased from solar roof Top 17.72 MU,(Energy purchased from all sources15057.39 MU + Energy purchase solar Roof top 17.72 MU) Total 15075.11 MU.

Total energy purchased excluding Hydro for FY-20 is 8989.28 MU which as follows:

SL No	Particular	Consumption in MU
1	Total energy purchased	15057.39
2	Add Solar Roof top	17.72
	Total Energy purchased	15075.11
3	Less KPCL Hydel	5180.28
4	Less TBHE	5.78
5	Less Priyadrashini Jurala Hydro Project	27.88
6	Less energy purchase from other ESCOMs as per SLDC	871.89
	Total power purchase considered for RPO	8989.28 MU

Note : Energy purchased from other ESCOMs 871.89 MU as per SLDC deducted is considered for RPO.

The Total Mini hydel purchased energy of 46.736 MU, Mini Hydel in D1 format is 43.34 MU Difference energy of 3.39 MU related Mallaprabha Mini Hydel was added in source wise Mini Hydel energy of 46.736 MU. The Same is corrected and revised in D1 Format.

The energy purchased is 13413.26 MU as per page No 184 and also as per T1D1 statement as shown are correct.


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The energy balance Hydro is 871.89 MU already deducted in total energy purchase.

The energy purchased from Shimsha is excluded in total purchase since it is already deducted in KPCL Hydro. Further since it is hydel energy (shimsha) HESCOM is not considered for non-solar RPO.

OBSERVATION :

- b. For validating the RPO compliance and to work out APPC, HESCOM shall furnish the data as per the format indicated below, duly reconciling the data with audited accounts for FY20 [indicating each item distinctly]:

COMPLIANCE:

Compliance of RPO for the financial for the month Apr-2019 to Mar-20			
a. Non-solar RPO			
No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase Quantum	8989.28	5961.35
2	Non- Solar Renewable Energy Purchased under PPA route at Generic Tariff including Non-Solar RE purchased from KPCL	2675.97	1091.56
3	Non- Solar Short - Term purchase from RE sources only	327.03	157.87
4	Non -solar Short-Term purchase from RE sources under sec-11	0.00	0.00
5	Non - Solar RE purchase under APPPC	153.05	56.60
6	Non - Solar RE purchase pertaining to green energy sold to consumers under green tariff	0.00	0.00
7	Non - Solar RE purchased from other ESCOMs	0.00	0.00
8	Non - Solar RE sold to other ESCOMs	0.00	0.00
9	Non - Solar RE purchased from any other source (Banked energy & Infirm enrgy)	80.64	24.41
10	Total Non-Solar RE Energy Purchased [No 2+ No3+No4+No5+No7+No9]	3236.69	1330.44
11	Non-Solar RE accounted for the purpose of RPO [No 10-No5-No6-No8]	3083.64	1273.84
12	Non-Solar RPO complied in % [No 11/No 1]*100	34.30	21.37
b. Solar RPO			
No.	Particulars	Quantum in MU	Cost- Rs. Crs.
1	Total Power Purchase Quantum from all sources	8989.28	5961.35
2	Solar Energy Purchased under PPA route at Generic Tariff including Solar Energy purchased from KPCL	1477.73	655.52
3	Solar energy purchased under Short-Term, excluding sec-11 purchase		
4	Solar Short-Term purchase from RE under sec-11		
5	Solar Energy Purchased under APPPC		
6	Solar Energy pertaining to green energy sold to consumers under green tariff		
7	Solar Energy purchase from other ESCOMs		


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8	Solar Energy sold to other ESCOMs		
9	Solar Energy purchased from NTPC as bundled power	266.23	141.13
10	Solar energy purchased from any other source like banked energy & Infirm energy purchased at 85% of Generic tariff	7.45	1.95
11	Total Solar Energy Purchased [No 2+ No.3+No.4+No.5+No7+No9+No+10]	1751.41	798.60
12	Solar Energy accounted for the purpose of RPO [No 11-No5-No6-No8]	1751.41	798.60
13	Solar RPO complied in % [No 12/No 1]*100	19.48	13.40
NOTE: Total Power Purchased Quantum considered provisionally, subject to reconciliation/ finalization with SLDC			

OBSERVATION :

B. RPO-FY21 and FY22

HESCOM shall furnish the estimates for complying with solar and non-solar RPO for the years FY 21 and FY22.

COMPLIANCE:

Particulars	FY-21	FY-22
Non Solar (Target)	11.00%	11.00%
Non Solar (Expected)	26.45%	25.44%
Solar(Target)	8.50%	10.50%
Solar (Expected)	15.02%	14.45%

The estimated RPO for FY-21 to FY-22 are enclosed as **Annexure -K**.

OBSERVATION :

5. Cross subsidy surcharge:

For FY22 HESCOM has proposed the following CSS:

Voltage level	HT-1	HT-2a	HT-2b	HT-2C	HT-4	HT-5
66kV & above	43.74	299.58	702.69	271.66	148.08	405.42
HT-11kV or 33 kV	0	202.48	605.59	174.55	50.98	308.31

Even though HESCOM has stated that it has followed Tariff Policy 2016 for computing CSS, it is observed that the calculations are done as per the earlier tariff policy. **HESCOM shall file CSS computations for each of the HT- tariff sub-categories separately, as per the KERC Regulations, wherein the computations as per Tariff Policy, 2016 is adopted. Further, if the CSS computed is negative, it shall be made zero.**


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COMPLIANCE :

Revised CSS computation for FY-22, as per Tariff Policy, 2016 is submitted.

SI NO	Particulars	Paise per unit					
		HT-1 Water Supply	HT-2(a) Industries	HT-2b Commercial	HT-2©	HT-4 Residential Apartments	HT-5 Temporary
1	Average tariff rate	652.92	972.73	1476.62	937.82	783.35	1105.02
2	Cost of supply @ 66 kv and above level	569.76	569.76	569.76	569.76	569.76	569.76
4	Cross subsidy surcharge @ 66 kv & above level	83.16	402.96	906.85	368.06	213.59	535.26
5	Cost of supply at @HT level	685.36	685.36	685.36	685.36	685.36	685.36
6	Cross subsidy surcharge @HT level	-32.44	287.36	791.25	252.46	97.99	419.66
7	20% of tariff payable by relevant category	130.58	194.55	295.32	187.56	156.67	221.00
8	Proposed Cross subsidy surcharge @ 66 kv & above level	83.00	195.00	295.00	188.00	157.00	221.00
9	Proposed Cross subsidy surcharge @HT level	0.00	195.00	295.00	188.00	98.00	221.00

Note: CSS is determined limiting to 20% of the tariff applicable to relevant category as per Tariff Policy 2016 (after rounding off to nearest paise. Wherever CSS is one paise or less, it is made zero.

OBSERVATION :**6. Additional Surcharge (ASC):**

HESCOM has proposed additional surcharge of 64 paise per unit based on FY-20 actuals. The Commission in its previous tariff order dated 04.11.2020, has considered the data as approved for the year for which tariff is determined. In view of the above, HESCOM shall compute the ASC as per the estimates for FY22.

HESCOM shall furnish the breakup of EHT and HT sales under HT categories for FY-20, FY21 and FY22 respectively.

COMPLIANCE:

As desired by the Hon'ble Commission, computation of additional surcharge as per the estimates for FY22 is submitted.

Table 1

SI No	Particulars	Unit	110KV 66KV &11 kV	LT	Total
1	Energy Sales as per flow diagram	MU	2113.19	9649.39	11762.58
2	Share of sales Voltage-wise	%	17.97%	82.03%	100.00%
3	Distribution Losses	MU	344.01	1570.83	1914.84
4	Total IF energy (1+3)	MU	2457.20	11220.22	13677.42
5	Transmission Loss	%	78.66	359.19	437.86


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6	Total Energy at Gen Bus (4+5)	MU	2535.86	11579.42	14115.28
7	Share of Energy procured at different voltages (voltage wise energy/total energy*100)	%	17.97%	82.03%	100.0%
8	Total PP Cost	Rs.in Cr.			6973.27
9	Share of PP Cost = 8*7		1252.77	5720.50	6973.27
10	Other Cost (Transmission & Dist. Network)	Rs.in Cr.			0.00
11	Share of other cost =2*10	Rs.in Cr.	0.00	0.00	0.00
12	Total Cost = 9 + 11	Rs.in Cr.	1252.77	5720.50	6973.27
13	Voltage wise per unit Cost	Rs./unit	5.93	5.93	5.93

Table 2

Sl No	Particulars	Unit	110KV 66KV &11 kV	LT	Total
1	Total PP Cost (Sl. No. 8 of Table-1)	Rs.in Cr.			6973.27
2	Share of PP Cost as per Sl. No. 7 of Table-1	%	17.97%	82.03%	100.00%
3	Share of PP Cost as per Sl. No. 9 of Table-1	Rs.in Cr.	1252.77	5720.50	6973.27
4	Total Fixed Charges of Power Purchase @ Gen. Bus	Rs.in Cr.			2276.60
5	Voltage wise Fixed Charge =2*4	Rs.in Cr.	409.00	1867.60	2276.60
6	Total Variable Charges of PP at Gen. bus	Rs.in Cr.			4696.67
7	Voltage wise VC = 6*2	Rs.in Cr.	843.77	3852.90	4696.67
8	Other Cost as per Sl. No. 10 of Table-1	Rs.in Cr.	0.00	0.00	0.00
9	Total Fixed Expenditure (4+8)	Rs.in Cr.	409.00	1867.60	2276.60

Table 3

Sl No	Particulars	Unit	110KV 66KV &11 kV	LT	Total
1	Revenue for the year		1846.74	6966.21	8812.95
2	Total Demand Charge(FC) realized for the year in respect of EHT & HT consumers (except LT)	Rs.in Cr.	285.43	NA	NA
3	FC recoverable as per Sl.No. 9(Total of EHT+HT consumers of table-2 (Except LT)	Rs.in Cr.	409.00	NA	NA
4	Under recovery of FC from EHT & HT Consumers	Rs.in Cr.	123.57	NA	NA
5	Per unit under recovery from EHT & HT consumers to be recovered as Additional Surcharge	Rs. Per Unit	0.58	NA	NA

Sl No.	Particulars	FY-20	FY-21(Projected)	FY-22(Projected)
1	EHT sales in MU	669.83	674.32	685.50
2	HT sales in MU	1245.57	1337.03	1427.69
3	Total	1915.40	2011.35	2113.19


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OBSERVATION :

7. HESCOM Capex:

a) Capex for FY20:

- i. The Commission in the Tariff Order-2019, had recognized the Capex of Rs.1200 Crores as against the proposed expected Capex Rs.1877.75 Crores by HESCOM for FY20, subject to prudence check and with the conditions that HESCOM shall prioritize the works and incur expenditure within the approved capex. HESCOM, in its APR filing has indicated that an amount of Rs.1267.61 Crores has been incurred towards Capex incurred for FY20, which exceeds the approved Capex by Rs.67.61 Crores. On examining the category-wise Capex incurred, HESCOM has not indicated the actual expenditure incurred under the following category of works:
 - a) Providing additional DTC's
 - b) Enhancement of Distribution transformers
 - c) Replacement of Broke poles/ Disaster management
 - d) Madari Vidyut Grama
 - e) OTM/Refurbishing works

HESCOM, had submitted the details of capital expenditure incurred on the above works, while submitting the details of works completed for FY19 and FY20 to enable the Commission to carry out the Prudence check, vide its letter Dated:06.10.2020. However, in the APR filing, the expenditure against these works is shown as blank, which means HESCOM has not incurred any expenditure on the above works. Hence, HESCOM may clarify the actual status of these works. HESCOM shall submit the reasons for not considering the actual Capital expenditure incurred on these works (mentioned in Page no 171 and 172 of the filing).

HESCOM, in its APR filing has indicated in page no. 173, the actual incurred Capex of Rs.1267.61 Crores and in the page number 357, it is indicated as Rs.1684.53 Crores in Format D-17 for FY20. Hence HESCOM shall furnish the correct actual Capex incurred, as per the audited, for the FY20.

COMPLIANCE:

Actual capex incurred for FY-20 as per audited accounts is Rs.1684.53 Crores and disposal of assets is Rs.366.18 Crores.

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a) Capex for FY20:

Actual capex incurred (provisional) under following categories of works as per the petition filed by the HESCOM (page 171 and 172) is indicated as zero. However as per the audited final accounts which was carried out after the Filing the details of expenditure incurred on these projects is as shown in the below table.

Table i(a)

SL No	Scheme	Amount Booked Rs in Crs
a	Additional DTCs	26.40
b	Enhancement of Transformers	6.79
c	Replacement of broken poles / Disaster Management Works	22.09
d	Maadari Vidyut Grama	0.00
e	OTM/ Refurbishing	48.02

Table i(b) :

HESCOM furnishes the correct actual capex incurred as per the audited for FY-20 as below.

HESCOM Capital budget Target & Achievement for 2019-20

(Rs in crores)

Sl. No.	Scheme	Proposal submitted in MYT for FY 20	Expenditure for FY 20
		Financial	Financial
	Mandatory works, Social obligation and other works		
1	Gangakalyan Scheme total	70	87.21
	Gangakalyan total	70	87.21
	GOK Sponsored Works		
1	Special Development Plan for backward talukas under Nanjundappa scheme(SDP)	15	16.59
2	Rural Electrification under SCSP (Not covered under RGGVY)	5	7.3
3	Rural Electrification under TSP (Not covered under RGGVY)	3	1.37
4	Energisation of IP sets as per GOK	120	66.21
5	Creating infrastructure to UAIP Sets	20	
6	Nirantara Jyoti Yojana.	15	22.39
	Sub - total	178	113.86
	GOI Sponsored Works		
7	RGGVY		0
8	DDUGVY	206.36	156.17
9	R- APDRP.	15	1.31
10	R-APDRP exclusively for Modem and meters	0.9	0
11	IPDS IT imitative Phase II	9	0
12	IPDS	89.64	160.62
13	Soubhagya Yojana	6	46.39
	Sub - total	326.9	364.49
	Expansion of network and system improvement works.		
a	Additional DTCs	55	26.4

b	Enhancement of Distribution Transformers	10	6.79
c	Shifting of existing transformer to load centre	5	0
d	LT line conversion of 1Ph 2 wire or 1Ph 3 wire to 3ph 5 wire	7	3.49
e	Providing new link lines for bifurcation of load	15	9.45
f	Providing SMC box to distribution transformer	0.5	0
14	Construction of new 33 KV stations	35	16.36
	Construction of new 33 KV lines.	30	
15	Augmentation of 33 KV stations.	30	2.74
16	Construction of 11 KV lines for 33 KV / 110 KV sub-stations.	30	12.89
17	Replacement of 33 KV lines Rabbit conductor by Coyote conductor.	20	1.7
18	11 KV Re-conductoring.	30	4.46
19	LT Re-conductoring.	40	17.9
20	HVDS	10	0
21	NEF (REC) for replacing 11 KV OH feeders by UG Cables in Hubli and Belgaum cities.	230	197.64
22	Replacing 11 KV OH feeders by UG Cables in Dharwad and Vijayapur cities.	125	0
23	Refurbishing works on HT/LT/DTC in O & M Divisions	155	48.02
	Sub-total	827.5	347.84
	Reduction of T & D and ATC loss		
24	Providing meters to un-metered IP sets.	5	0.00
25	Providing meters to un-metered BJ/KJ installations.	2	0.06
26	Replacement of faulty / MNR energy meters by static meters.	5	17.74
27	Replacement of more than 10 year old electromechanical energy meters by static meters.	25	0
28	Fixing of boxes to Single Phase Meters	10	0
29	DTC's metering (Other than APDRP)	20	13.15
	Sub - total	67	30.95
6	General (In House)		
30	Rural Electrification (General)(Not covered under RGGVY)	3.5	0.06
31	Electrification of BPL Households (General) (Not covered under RGGVY)	8	0.04
32	Water works	30	0
33	Other E & I Works (DP & GOS)	5	0
34	Energisation of IP sets under general.		0
35	Service connections other than IP/BJ/KJ/Water works.	20	6.31
36	Improvement Works at 5 Nos of Villages in each MLA Constituency & 5 Nos of Villages in each MP Constituency under MADARI VIDUYAT GRAM .	35	0
37	Providing prepaid meters to temporary installations	1	0.34
38	Providing numerical relays to provide power supply to farm houses	1	0
39	Providing 16KVA Transformers for A/P/S to farm houses in Chikkodi Division	1.5	0
40	The work of Supply of Hardware, Supervisory Manpower (for Technical Support) and Development of Software (End to End Solution including Google Map Subscription for 2 Years, if applicable) to Support Enumeration of IP Sets in HESCOM Jurisdiction (except Bailhongal O & M Division) through GIS Application and Maintenance for 2 Years	3.35	0
41	Replacement of old and failed equipment's and other works of existing 33 KV stations and lines.	15	6.05
42	T&P materials.	5	
	Sub - total	128.35	12.8
	New initiatives works		

43	IT initiatives, automation and call centre	2	6.6
44	Providing solar roof tops to HESCOM and other Government office buildings	5	22.85
45	Establishing ALDC & SCADA.	5	0
46	Special pilot project for Strategic Business Centre at Gadag Division	2	0
47	Smart Metering	90	0
48	Smart Grid Initiative	10	0
49	DSM Projects	1	0
	Sub - total	115	29.45
	Immediate Execution (Planned/Unplanned)		
50	Replacement of failed distribution transformers.	10	160.63
51	Replacement of Power Transformers.	5	1.07
52	Preventive measures to reduce the accidents. (Providing intermediate poles, Restraining of sagging lines, providing guy & studs, providing guarding, DTC earthing)	45	47.81
53	Replacement of broken poles / Disaster Management Works	15	22.09
	Sub - total	75	231.6
54	Civil Engineering works like Construction of new office buildings/ Sub station civil works, Modernisation/Repairs to existing buildings, regular maintenance to immovable properties	40	0
55	Corporate Office Reserve for Emergency	50	0.2
56	Flood works		99.54
	Sub - total	90	99.74
	Total	1877.75	1317.94

OBSERVATION :

- i. In view of the above, HESCOM shall furnish the following details:
- a) the statement of comparison of actual Capital expenditure incurred with reference to the amounts of expenditure made under different category of works as proposed and recognized by the Commission as per Table 5.2 of Tariff Order 2019, in the format approved by the Commission, with reasons for deviations, if any.

COMPLIANCE :

Table ii(a)

HESCOM furnishes the statement of comparison of actual capex incurred with reference to the amounts of expenditure made under different category of works as proposed and as recognised by the Commission as below.



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Sl. No.	Scheme	Proposed	Recognised by the Commission	Actual capex Expenditure incurred	Reasons of Deviation	Funding
				for FY 20		
		Financial		Financial		
	Mandatory works, Social obligation and other works					
1	Gangakalyan Scheme total	70	1200	87.21	Since the programme is run by GOK and various corporations of GOK, these are social obligatory works which has to be carried out without restrictions. Hence expenditure booked in this category is little higher than the provision made.	Equity from State Govt & other corporation Grant
	Gangakalyan total	70		87.21		
	GOK Sponsored Works					
1	Special Development Plan for backward talukas under Nanjundappa scheme (SDP)	15		16.59	Its govt. sponsored programme and the expenditure is done as per the allotment of GOK under this scheme.	Equity from State Govt
2	Rural Electrification under SCSP (Not covered under RGGVY)	5		7.3		Equity from State Govt & Internal resource
3	Rural Electrification under TSP (Not covered under RGGVY)	3		1.37		
4	Energisation of IP sets as per GOK	120		66.21		90 % REC loan & Consumer contribution and Consumer contribution
5	Creating infrastructure to UAIP Sets	20				
		0				
6	Nirantara Jyoti Yojana.	15		22.39	Some of the feeders which are left out during project Phase 1,2 and 3 are essentially to be bifurcated are taken up to complete the project in all respect. Hence expenditure incurred is on higher side	REC loan
	Sub - total	178		113.86		
	GOI Sponsored Works					
7	RGGVY					60% GOI Grant 10% Internal resources & 30% loan from REC/PFC
8	DDUGVY	206.36	156.17			
9	R- APDRP.	15	1.31		loan from nationalised bank/ Internal Resource	
10	R-APDRP exclusively for Modem and meters	0.9	0.00		loan from nationalised bank/ Internal Resource	
11	IPDS IT imitative Phase II	9				
12	IPDS	89.64	160.62	GOI and GOK have set a target date to complete the works . Hence to complete the works within target date, expenditure over and above the provision is made.	60% GOI Grant 10% Internal resources & 30% loan from REC/PFC	
13	Soubhagya Yojane	6	46.39	GOK have set a target date to complete the works . Hence to complete the works within target date, expenditure over and above the provision is made.		
	Sub - total	326.9	364.49			
	Expansion of network and system improvement works.					
a	Additional DTCs	55	26.4		loan from nationalised bank/ Internal Resource	
b	Enhancement of Distribution Transformers	10	6.79		loan from nationalised bank/ Internal Resource	
c	Shifting of existing transformer to load centre	5	0.00			


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d	LT line conversion of 1Ph 2 wire or 1Ph 3 wire to 3ph 5 wire	7	3.49		
e	Providing new link lines for bifurcation of load	15	9.45		
f	Providing SMC box to distribution transformer	0.5	0.00		
14	Construction of new 33 KV stations	35	16.36		REC Loan
	Construction of new 33 KV lines.	30			
15	Augmentation of 33 KV stations.	30	2.74		
16	Construction of 11 KV lines for 33 KV / 110 KV sub-stations.	30	12.89		loan from nationalised bank/ Internal Resource
17	Replacement of 33 KV lines Rabbit conductor by Coyote conductor.	20	1.7		REC loan
18	11 KV Re-conductoring.	30	4.46		REC loan
19	LT Re-conductoring.	40	17.9		REC loan
20	HVDS	10	0.00		loan from nationalised bank/ Internal Resource
21	NEF (REC) for replacing 11 KV OH feeders by UG Cables in Hubli and Belgaum cities.	230	197.64		REC loan under NEF
22	Replacing 11 KV OH feeders by UG Cables in Dharwad and Vijayapur cities.	125	0.00		loan from nationalised bank/ Internal Resource
23	Refurbishing works on HT/LT/DTC in O & M Divisions	155	48.02		REC loan
	Sub-total	827.5	347.84		
	Reduction of T & D and ATC loss				
24	Providing meters to un-metered IP sets.	5	0.00		
25	Providing meters to un-metered BJ/KJ installations.	2	0.06		
26	Replacement of faulty / MNR energy meters by static meters.	5	17.74	To minimise the commercial loss extra number of MNR meters have been targeted to replace in the financial year. Hence expenditure is booked higher side.	loan from nationalised bank/ Internal Resource
27	Replacement of more than 10 year old electromechanical energy meters by static meters.	25	0.00		REC loan
28	Fixing of boxes to Single Phase Meters	10	0.00		
29	DTC's metering (Other than APDRP)	20	13.15		
	Sub - total	67	30.95		
6	General (In House)				
30	Rural Electrification (General)(Not covered under RGGVY)	3.5	0.06		HESCOM loan
31	Electrification of BPL Households (General) (Not covered under RGGVY)	8	0.04		loan from nationalised bank/ Internal Resource
32	Water works	30	0.00		
33	Other E & I Works (DP & GOS)	5	0.00		
34	Energisation of IP sets under general.		0.00		
35	Service connections other than IP/BJ/KJ/Water works.	20	6.31		loan from nationalised bank/ Internal Resource
36	Improvement Works at 5 Nos of Villages in each MLA Constituency & 5 Nos of Villages in each MP Constituency under MADARI VIDUYAT GRAM.	35	0.00		
37	Providing prepaid meters to temporary installations	1	0.34		
38	Providing numerical relays to provide power supply to farm houses	1	0.00		REC loan
39	Providing 16KVA Transformers for A/P/S to farm houses in Chikkodi Division	1.5	0.00		loan from nationalised bank/ Internal Resource
40	The work of Supply of Hardware, Supervisory Manpower (for Technical Support) and Development of Software (End to End Solution including Google Map Subscription for 2 Years, if applicable) to Support Enumeration of IP Sets in HESCOM Jurisdiction (except Ballhonga O & M Division) through GIS Application and Maintenance for 2 Years	3.35	0.00		loan from nationalised bank/ Internal Resource

41	Replacement of old and failed equipment's and other works of existing 33 KV stations and lines.	15	6.05		
42	T&P materials.	5			
	Sub - total	128.35	12.8		
	New Initiatives works				
43	IT initiatives, automation and call centre	2	6.6		loan from nationalised bank/ Internal Resource
44	Providing solar roof tops to HESCOM and other Government office buildings	5	22.85	Civil and Solar works together approved capex work is Rs.45 crores and exp incurred towards both the works is Rs. 22.85 crores	Govt Equity & Internal resource
45	Establishing ALDC & SCADA.	5	0.00		loan from nationalised bank/ Internal Resource
46	Special pilot project for Strategic Business Centre at Gadag Division	2	0.00		loan from nationalised bank/ Internal Resource
47	Smart Metering	90	0.00		REC Loan
48	Smart Grid Initiative	10	0.00		loan from nationalised bank/ Internal Resource
49	DSM Projects	1	0.00		loan from nationalised bank/ Internal Resource
	Sub - total	115	29.45		
	Immediate Execution (Planned/Unplanned)				
50	Replacement of failed distribution transformers.	10	160.63	Expenditure towards replacement of failed transformers by repaired good as well as new transformers is booked under capital expenditure. Hence expenditure is higher side.	loan from nationalised bank/ Internal Resource
51	Replacement of Power Transformers.	5	1.07		
52	Preventive measures to reduce the accidents. (Providing intermediate poles, Restraining of sagging lines, providing guy & studs, providing guarding, DTC earthing)	45	47.81		
53	Replacement of broken poles / Disaster Management Works	15	22.09		
	Sub - total	75	231.6		
54	Civil Engineering works like Construction of new office buildings/ Sub station civil works, Modernisation/Repairs to existing buildings, regular maintenance to immovable properties	40			loan from nationalised bank/ Internal Resource
55	Corporate Office Reserve for Emergency	50	0.2		loan from nationalised bank/ Internal Resource
56	Flood works		99.54	Natural disaster during Aug and sept of 2019 is divested in north Karnataka region and huge damage to distribution network has occurred. Hence to rebuild the distribution network huge capex was incurred	
	Sub - total	90	99.74		
	Total	1877.75	1200	1317.94	


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As per the above table break-up details of actual Capex incurred during FY-20 is summarized. Deviation in some of the categories is made due to prioritizing the works based on the absolute necessity. The sources of funding for these works is also shown in the last column.

OBSERVATION :

- b) Break-up details for actual capex incurred during FY20 as per the **Annexure-5**.
- c) HESCOM shall furnish the details of works under different categories and sources of funding for the same against the approved Capex, for FY20.

COMPLIANCE :

- b : Breakup details as per actual capex incurred during FY 20 as per Annexure-5 of preliminary observation is enclosed for kind needful.
- c : Details of works under different categories and sources of funding for the same against the approved Capex, for FY20 is furnished as per above Table ii(a)

OBSERVATIONS :

- ii. The Commission had directed, HESCOM to prioritize the works and incur expenditure within the approved capex. It shall not incur the capex over and above the approved capex and shall not approach the Commission for approval of additional capex in the middle of the financial year. While prioritizing the works, HESCOM shall take up such work which ensure system improvement to enable quality and reliable power to the consumers besides ensuring reduction of distribution losses in order to reduce the burden of losses to the consumers. Further, the Commission had also directed the HESCOM to put in effective efforts towards achieving the following objectives of the proposed schemes under capex on a priority basis:

1. Reducing distribution losses;
2. Reducing the HT:LT Ratio;
3. Reduce Transformer failures;
4. Segregate the loads in the feeders;
5. Reduce Power theft;
6. Taking up programs for the awareness among the people on usage and conservation of energy;
7. Improve the sales to metered category to improve its cash flows;
8. Improve the Power factor of the IP set loads by installing switched capacitors of suitable capacity to the secondary of the transformers.



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In this regard, HESCOM shall submit the compliance to the above directives issued by Commission and the details of results achieved thereon.

COMPLIANCE:

As per the Hon'ble Commission's directions, HESCOM has prioritized the works and incurred expenditure with little variations within the approved capex. However HESCOM has approached the commission for only capital works which are essentially required to restore the power supply of rebuilding of distribution network which are damaged due to flood and natural calamities. HESCOM is ensuring and focusing on system improvement works to ensure reliable and quality power to all its consumers and also ensuring strategic distribution loss reduction aspects.

HESCOM will effectively work on achieving following objectives:

1. Reducing distribution losses;
2. Reducing the HT:LT Ratio;
3. Reduce Transformer failures;
4. Segregate the loads in the feeders;
5. Reduce Power theft;
6. Taking up programs for the awareness among the people on usage and conservation of energy;
7. Improve the sales to metered category to improve its cash flows;
8. Improve the Power factor of the IP set loads by installing switched capacitors of suitable capacity to the secondary of the transformers.

Major focus area for reduction of losses is providing additional distribution transformers, reconductoring of HT/LT lines, creating infrastructure to unauthorized IP Sets, New 33 KV Sub Stations and other system improvement works.

OBSERVATION :

iii) HESCOM, has indicated the actual expenditure in respect of the following works as nil, for FY20:

- a) Electrification of BPL households (Not covered under RGGVY)
- b) Providing new Link lines
- c) Construction of new 33KV lines to the cost incurred on establishment on the new 33kv stations
- d) Providing numerical Relays
- e) Enumeration of IP sets
- f) IPDS IT initiative
- g) replacement of more than 10-year-old electromechanical energy meters by static meters,
- h) Maadari Grama (Model village)

HESCOM shall submit the actual expenditure incurred in respect of the above works duly tallied with the amount booked under 14 series of accounts, as per audited accounts and the reasons for not furnishing the details of actual Capex incurred.


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COMPLIANCE :

Expenditure in respect of all the above works in FY 20 is shown in Table i(b)

OBSERVATION :

- iv) HESCOM shall furnish the capacity-wise details of replacement of failed, repaired and opening and closing balance of transformers, replaced with new transformers and its cost against Capex incurred for FY20 and for FY21, up to November 2020.

COMPLIANCE :

HESCOM furnishes the capacity-wise details of replacement of failed, repaired and opening and closing balance of transformers, replaced with new transformers and its cost against Capex incurred for FY20 and for FY21, up to November 2020 as enclosed as below.

1 a)Capex FY 21(Upto Nov-20)

opening Balance No of Transformers failed to be replaced as at the beginning of the Year 2020-21(up to Nov 20)					No of Transformers failed during the Year 2020-21(up to Nov 20)					No of Transformer Replaced during the Year 2020-21(up to Nov 20)					Closing Balance No of Transformers to be replaced as at the end of the Year 2020-21(up to Nov 20)				
15/25 KVA	63 KVA	100 KVA	200/ 250/ above 250 KVA	Total	15/25 KVA	63 KVA	100 KVA	200/ 250/ above 250 KVA	Total	15/25 KVA	63 KVA	100 KVA	200/ 250/ above 250 KVA	Total	15/25 KVA	63 KVA	100 KVA	200/ 250/ above 250 KVA	Total
136	170	95	0	401	8627	6355	4787	164	19933	8597	6456	4845	163	20061	166	69	37	1	273

Failed Transformer Replaced by new Transformer in 20-21 upto Nov-2020

25 KVA Nos	Cost in Crs	63 KVA	Cost in Crs	100 KVA	Cost in Crs	250 KVA	Cost in Crs	Total	Cost in Crs
86	0.5132	107	1.124	173	1.95	49	0.8	415	4.39

1 a)Capex FY 20

Opening Balance No of Transformers failed to be replaced as at the beginning of the Year 2019-2020					No of Transformers failed during the Year 2019-2020					No of Transformer Replaced during the Year 2019-2020					Closing Balance No of Transformers to be replaced as at the end of the Year 2019-2020				
15/25 KVA	63 KVA	100 KVA	200/ 250/ above 250 KVA	Total	15/25 KVA	63 KVA	100 KVA	200/ 250/ above 250 KVA	Total	15/25 KVA	63 KVA	100 KVA	200/ 250/ above 250 KVA	Total	15/25 KVA	63 KVA	100 KVA	200/ 250/ above 250 KVA	Total
37	31	27	1	96	13359	9946	7086	282	30673	13260	9807	7018	283	30368	136	170	95	-	401



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Failed Transformer Replaced by new Transformer in 19-20						
25	KVA Nos	Cost in Crs	63 KVA	Cost in Crs	100 KVA	Cost in Crs
610		3.88	387	4.58	538	7.68
					250 KVA	Cost in Crs
					56	0.47
					Total	1591
					Cost in Crs	16.62

OBSERVATION :

- v) HESCOM shall furnish the division-wise total number of Pump sets energized under Ganga Kalyana Schemes, total amount spent, total amount of capital grants received from the Government of Karnataka and the total balance amount to be received from the Government of Karnataka and the action taken thereon.

COMPLIANCE :

HESCOM furnishes the division-wise total number of Pump sets energized under Ganga Kalyana Schemes, total amount spent, total amount of capital grants received from the Government of Karnataka and the total balance amount to be received from the Government of Karnataka and the action taken thereon is enclosed as below.

a) Capex for FY 20:

Gangakalyan for FY 2019-20

Sl No	Name of the Division/District	Total No of Bore wells Energized during the Year	Total amount spent Rs in Lakhs	Total grant to be released Rs in Lakhs (Rs 50,000/ per ip set as per GoK order) as at the end of 31.03.2020	Total grant received Rs in Lakhs as at the end of 31.03.2020	Balance grant amount to be received Rs in Lakhs as at the end	Action taken
1	Hubli (Urban)	2	2.7				
2	Hubli (Rural)	163	220.05				
3	Dharwad (Urban)	11	14.85				
4	Dharwad (Rural)	261	352.35				
	Dharwad	437	589.95				
5	Gadag	81	109.35				
6	Ron	57	76.95				
	Gadag	138	186.3				
7	Sirsi	233	314.55				
8	Dandeli	145	195.75				
9	Karwar	60	81				
10	Honnavar	81	109.35				
	Utar Kannada	519	700.65				
11	Haveri	252	340.2	1861.00	2152.00	1966.30	Letters were addressed to all the development corporation for release of balance amount of Rs 883.80 Lakhs as at the end of November-2020
12	Ranebennur	167	225.45				
	Haveri Dist	419	565.65				
13	Belgaum Urban	2	2.7				
14	Belgaum Rural	110	148.5				
15	Bailhongal	98	132.3				
16	Ramdurga	51	68.85				
17	Ghataprabha	79	106.65				
18	Raibag	232	313.2				
19	Athani	50	67.5				
20	Chikkodi	141	190.35				
	Belgaum Dist	763	1030.05				
21	Bijapur	330	445.5				
22	Indi	376	507.6				

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23	B.Bagewadi	533	719.55			
	Bijapur Dist	1239	1672.65			
24	Bagalkot	121	163.35			
25	Jamkhandi	44	59.4			
26	Mudhol	42	56.7			
	Bagalkot Dist	207	279.45			
	HESCOM Total	3722	5024.7			

Note : The released amount of Rs 2152.00 Lakhs was adjusted against the arrears amount before 2018-19, even then the receivable amount is Rs 1966.30. Further for FY 2020-21 Rs 1646.00 Lakhs amount was received. Balance amount to be received at the end of November-2020 is Rs 883.80 Lakhs

OBSERVATION :

- vi) HESCOM shall furnish the target date of completion of the projects sanctioned, total number of BPL beneficiaries serviced under DDUGVY,SOUBHAGYA and IPDS Schemes, amount spent, amount of capital grants received from the Government of India, additional grants of 15% from GOI on achievement of prescribed milestones set by GOI from the date of inception of the project till date and the balance amount to be received from the Government of India and the action taken thereon with documentary evidence.

COMPLIANCE :

The details is furnished as below.

Particulars	IPDS as on date	DDUGJY as on date	SAUBHAGYA as on date
Target date of completion of the projects sanctioned	31.12.2019	31.12.2020	31.03.2020
Total number of BPL beneficiaries serviced	-	86846	80011
Amount spent	209.56Crs	333.76Crs	61.69 Crs
Amount of capital grants received from the Government of India,	111.70 Crs	312.92Crs	45.65Crs
Additional grants of 15% from GOI on achievement of prescribed milestones set by GOI from the date of inception of the project till date	30.80Crs	49.82Crs	11.45 Crs
the balance amount to be received from the Government of India	12.32Crs	20.48Crs	0.15 Crs
The action taken thereon with documentary evidence.	Closure Proposals are submitted to PFC for release of final tranche	Closure Proposals are submitted to REC for release of final tranche	Closure Proposals are submitted to REC for release of final tranche

OBSERVATION :

- vii) HESCOM shall furnish the brake-up details for UNIP works and the actual capital expenditure incurred in providing infrastructure to UNIP connections for FY20. HESCOM shall furnish the actual number of UNIP connections existing as on 01.04.2019, works completed and closing balance of UNIP installations to be provided with infrastructure for FY20 and for FY21 up to November 2020.


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COMPLIANCE :

HESCOM furnishes the information as below.

Details of existing, works completed and closing balance of UNIP installations who have paid necessary deposits for which infrastructure is to be created:

Actual No. of UNIP connections existing as on 1.04.2019	Cumulative No. of installations for which works completed.		Closing balance of UNIP installations for which infrastructure to be provided.	
	FY-20	FY-21(Up to Nov-20)	FY-20	FY-21(Up to Nov-20)
116315	71279	76752	24201	24658

OBSERVATION :

- viii) The HESCOM has indicated that it has utilized 'nil' amount in respect of DSM activities (Ag-DSM and Others). This clearly shows lack of seriousness on the part of HESCOM, in analysing and managing the peak Load, chalking out Load Strategies, Demand Response, reducing technical and commercial losses etc. HESCOM shall submit the reason thereof.

COMPLIANCE :

HESCOM has taken up this project with Energy Efficiency Services Limited, New-Delhi (EESL) as a pilot project and completed 590 Nos. of replacement of old Pump Sets by Energy Efficient Pump Sets (i.e., in Byadgi- 390 Nos. and in Nippani- 200 Nos).

Further a Letter was addressed to the Hon'ble Chief Secretary to GOK Energy Dept., Vikasa Soudha Bengaluru Vide Ltr No HESCOM/MD/PS/22492 Dt:09.12.2015 stating that the said project cost is approximately around Rs 3500 Crs. Hence the implementation of such big project by HESCOM Alone financially could be difficult.

Hence, HESCOM will take up the DSM initiatives in Agriculture Sector within its jurisdiction with the following upcoming projects in coordination with KREDL & MNRE under PM KUSUM Components.

Component B: Off-grid Solarization of IP Sets (Project already initiated by KREDL for SC/ST beneficiaries).

Component C: Solarization of EIP feeder for 4,00,000 IP Set within HESCOM jurisdiction.

OBSERVATION :

- ix) The Commission, in its Tariff order 2020, has disallowed the Capex incurred for the following Capital works as imprudent works attributable to HESCOM:


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- a) almost all the sample works in FY17 and FY18, related to DTC metering / providing modems & GPRS.
- b) Design, Manufacture, Supply installation of RTPV @ Mahalingapur Section.

The Commission in its Tariff Order 2020, the Commission has decided to review the status of these works after obtaining the explanation thereon from the HESCOM and to take further decision in the matter, in the next Tariff Order.

Hence, HESCOM shall furnish the present status of the work which were considered as imprudent, in Tariff Order 2020 to take further necessary action on the disallowance of related costs.

COMPLIANCE :

- a) The status of the above works will be submitted at the earliest.

HESCOM has taken up supply, Installation, commissioning and maintenance of ETV meter being AMR compliant with associated CT's modem & sim for metering of 40793 Nos of DTCs in two Phases (Phase-I & II) in all the Non-RAPDRP Town Areas and Rural Areas in all O & M Divisions.

Online transfer of Data from Thread through type meter (meter is having in-built Current Transformer (CT), Modem, SIM. Modem and SIM for online data transfer) to the centralized server by establishing communication.

The agency is maintaining server and has hosted web-based application. URL (address of the web application, 125.16.20.2/ HESCOM), user login id and password have been given to the concerned HESCOM officials.

Communication was established for 33947 DTCs in the centralized server during the month of Sept-2020 out of 40793 Metered DTCs.

100% Communication and Energy Audit of 100% Metered DTCs is not achieved due to network connectivity Problem for establishing communication with the server, Mismatch in the DTC Meter code updated in M/s.N-soft server and actual existing in the field, Damaged Lead wire, MNR Meters and Burnt out Meters which will be addressed at the earliest.

Further, due to heavy rainfall in northern districts of Karnataka state which comes under HESCOM Jurisdiction. meters and lead wire of some the DTCs got damaged and also Modem of the some of the DTCs is damaged which affected the Network connectivity.

The following are the remedial measures initiated to achieve 100% Communication, Energy Audit report generation of metered DTCs and also reduce losses in those DTCs wherever the loss levels are at higher levels;


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1. A separate Energy Audit cell is constituted for the specific purpose of conducting and monitoring energy audit functions.
2. The subject works is taken in rural areas and Malanad area of Uttar Kannada district, agency is facing network connectivity Problem for establishing communication with the server. Hence, Agency is directed to carry out the manual meter reading of DTCs which are not in cellular coverage area.
3. All the field officials are directed to verify and Match the DTC Meter Sl. No. as existing in the Field to DTC Meter Sl. No updated in the TRM Software.
4. All the field officials are directed to check the mapping of DTCs to Feeders and installations to DTCs and rectify the same.
5. With regard to Negative and High Loss DTCs, It is directed to match the reading of DTCs and installation mapped on the respective DTCs to make sure readings are carried out on same day.
6. Calibration of Meters, Replacement of MNR and Burnt out Meters.
7. HESCOM has taken up the work of replacement the existing Electro-mechanical /High Precision Meters by static Meters under DDUGJY and IPDS schemes.
8. Energy Report of DTCs wherever the loss levels are at higher levels are shared with HESCOM MT and Vigilance staff to check any authorized connections on the DTCs and correctness of the Meter.
9. Due to software issues while integrating the data and mismatch in DTC Code, Energy Audit of the some of the Metered DTCs is not being done. this Issue is being addressed will be resolved by the HESCOM in coordination with M/s. Asian Fab Tech and the System Provider viz., M/s. N-soft service private Ltd at the earliest.
10. Notices are served to agency M/s. Asian Fab Tech to provide network connection immediately.

- b) The subject work is awarded to M/s. Spectrum Consultants; Bangalore award cost of Rs.14.49 Crores for installing 1217KWp on the roof tops of 224 nos of Government office buildings.

In Belgaum Zone, SRTPVs were installed on 31 Nos of 110KV & 220KV sub-Station in Bagalkot District. The SRTPVs were commissioned but letter the inverter was tripped and the SRTPVs was shut down. The expert in this field was accompanied by the agency to the sites to resolve this issued. It was noticed that, the tripping of inverter was caused by unprecedented high voltage due to capacitor bank. There were events of voltage spikes that trips the system after starting the capacitor banks in the substation.

A letter is addressed to Chief Engineer (EI), Transmission Zone, KPTCL, Bagalkot vide letter NO. HESCOM/SEE(PMC)/EE-P1/2017-18/2795-2800 Dtd.05.05.2017 to issue necessary directions to concerned Engineers of sub-station and efforts are being made to resolve the issue and presently it was opined to switch "OFF" the inverter at the time


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of switching "On" the capacitor bank and to "ON" the inverter only after discharge of capacitor which will avoid any sort of damages to inverter.

The subject was brought to the kind notice of the management during the review meeting, and it was opined by the management to utilize these SRTPV installed on KPTCL Substation since these are not in working condition from the date of installation. Hence it was decided to shift these installed SRTPVs from 31 Nos of KPTCL substation to high court of Karnataka, Dharwad bench since there is a continuous request format he concerned and it is also reported by Executive Engineer, Dharwad (O) that, during every visit of Hon'ble CJI to High Court Dharwad, they have insisted to take up this work immediately. The cost of SRTPVs installed on 31 Nos of KPTCL sub-station in Bagalkot District. Hence it was opined to shifting the SRTPVs installed on KPTCL sub-stations to High Court Dharwad by the same executed by the agency.

OBSERVATION:

- x) HESCOM in its filling of Capex details for FY20 has incurred Rs. 198 Crores towards NEF (REC) for replacing 11 KV OH feeders by UG Cables in Hubballi and Belagavi. HESCOM shall submit work-wise details for having incurred this amount despite issue of directions.

COMPLIANCE:

The subject work is awarded to M/s. Asian Fab Tec limited, Bangalore on 11.06.2015 for a total award cost of the project is Rs.566.16 Crores. (Hubli City- Rs.184.23 Cr and Belgaum City is Rs.381.94 Cr).

For this project Rs.510 Crores (for Hubli Rs.130 Crores and for Belgaum Rs.215.37 Crores) loan is sanctioned under National Electricity Fund from REC. REC has sanctioned the additional loan amount of Rs. 35.79 Crores for Hubli city and Rs. 128.37 Crores for Belgaum city.

The works in Hubli CSD-1 & CSD-2 package and Hubli CSD-3 package works are completed on 27.02.2019 and 09.07.2019. In Belgaum City Project, Belgaum CSD-1 CSD-3 ,CSD-2 package works are completed on 26.10.2018, 24.12.2017 & 30.01.2020 respectively.

Present progress is as here under,

Sl No.	City	Physical Progress						Financial Progress in crores	Remarks
		Trunk		RMU		Loop			
		As per DWA in Kms	Progress in Kms	As per DWA in Nos	Progress in Nos	As per DWA in Kms	Progress in Kms		
1	Belagavi	308.5	287.73	180	183	746.7	735.8	365.13	Work is completed
2	Hubli	127.5	125.1	121	122	355.4	366.1	175.32	Work is completed
	Total	436	398.8	301	300	1102	1102	540.45	


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OBSERVATION :

- xi) HECOM in submitting the Capital expenditure details for FY20, has not indicated any Budget provision and actual expenditure under drinking water supply works. The Commission notes that these works are very essential and carried out in all other ESCOMs on priority basis, as the cost of these works were paid by the respective department. HECOM shall submit the reasons for not indicating the expenditure under this head of works, besides furnishing the details of works carried out with cost, during FY20 and upto November 2020, for FY21.

COMPLIANCE:

The energisation of drinking water supply installations will be carried out as per the amount paid by the respective departments(Urban development authority, gram Panchayat, Town Panchayat etc). Actual expenditure incurred towards these works are accounted under DCW and the amount collected by concerned departments for FY 20 is Rs. 42.70 crores and up to Sep 20 for FY 21 is Rs.30.93 crores and the same amount is spent on these works.. HESCOM is not incurring any expenditure on these works

- xii) HESCOM shall submit the compliance and the details sought in the Tariff Order 2020, both the physical progress as well as the financial progress, in respect of all the schemes taken up by HESCOM in the format annexed at **Annexure-2,3 & 4.**

COMPLIANCE:

HESCOM furnishes the physical progress as well as the financial progress, in respect of all the schemes taken up by HESCOM in the format annexed at Annexure-2,3 & 4 is attached.

OBSERVATION :

b) Capex proposal for FY22:

- i. As per the Tariff application, HESCOM has proposed Capex of Rs.1329.50 Crores as against the Commission approved Capex of Rs.825 Crores for FY22. The HESCOM shall explain the rationale behind submitting the revised proposal, as against the Commission approved capital expenditure of Rs.825 Crores for FY22 in the Tariff Order 2019.

COMPLIANCE :

1. Hon'ble commission has approved capex of Rs. 825 crores in MYT, however HESCOM wanted to retain its capex proposal of Rs. 1329.50 crores as against commission approved capital expenditure. Reason for retaining the same capex of Rs. 1329.50 crores is as follows:


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- Projects envisaged by GOI and GOK viz IPDS, DDUGJY, Saubhagya, KUSUMA etc. are on the verge of completion and provision of budget for completion of these works is made.
 - Creating infrastructure to IP sets is a major focus area for HESCOM as to improve the quality of power and to have the less distribution losses due to unauthorised extension of LT and HT by the farmers.
 - UG cable system in major cities is another priority on which for FY 22, Vijayapur and Dharwad cities are taken for which Capital budget provision of Rs. 50 crores is made.
 - System strengthening and improvement works is on high priority for which Rs. 250 crores of provision is made which includes works like Providing additional transformers, Enhancement of transformers, Providing link lines, 11 KV and LT Reconductoring etc to reduce the distribution loss and to strengthen the distribution network.
 - Apart from these works provision for Social obligatory works such as Ganga Kalyan, SDP, SCSP, TSP are taken up for which budgetary provision of Rs. 120 crores is made.
 - To reduce the accidents provision for PMREA works is mandatorily made of Rs. 50 crores for FY 22.
 - For IT initiative, Smart metering and solar roof top projects a provision of Rs. 100 crores is made.
 - For 33 KV Station and lines which are essential part of HESCOM network, a provision of Rs. 135 crores is made.
 - All other works including service connection, HT Metering cubicle, Refurbishing of Distribution networks and other works Capital budget of Rs. 300 crores is proposed.
- As the above said works are essentially to be taken up in FY 22 , a provision of Rs. 1329.50 crores is essentially required to accommodate all the essential prioritised works.


OBSERVATION :

- HESCOM shall furnish the details of sources of funding to works proposed under different category of works for FY22.

COMPLIANCE :

Details of sources of funding for various works proposed for FY 22

Sl. No.	Scheme	Proposed Capital Budget for 21-22 during MYT	Revised Capital Budget for 2022	Source of funding
	Mandatory works, Social obligation and other works			
1	Gangakalyan IP sets: Dr. B. R Ambedkar Development Corporation	75.00	20.00	Equity from State Govt & other corporation Grant
2	Gangakalyan IP sets: Karnataka State Tribal Development Corporation		20.00	


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