

CHAPTER – 2

SUMMARY OF FILING & TARIFF DETERMINATION PROCESS

2.0 Background for Current Filing:

The Commission in its Tariff Order dated 30th March, 2016 had approved the ARR for FY17 to FY19 and the Revised Retail Supply Tariff of HESCOM for FY17 under the MYT principles for the control period of FY17 to FY19. HESCOM in its present application filed on 30th November, 2017 has sought approval for the Annual Performance Review (APR) for FY17 based on the audited accounts, Revision of ARR for the third year of the fourth control period i.e. FY19 and revision of Retail Supply Tariff for FY19.

2.1 Preliminary Observations of the Commission

After a preliminary scrutiny of applications, the Commission had communicated its observations to HESCOM on 21st December, 2017. The preliminary observations were mainly on the following points:

- Capital Expenditure
- Sales Forecast
- Assessment of IP set consumption
- RPO Compliance
- Wheeling and Banking
- Cross subsidy surcharge
- Power Purchase
- Issues pertaining to items of revenue and expenditure
- Distribution Losses
- Compliance to Directives

In response HESCOM had furnished its replies on 28th December, 2017. The replies furnished by HESCOM are considered in the respective Chapters of this Order.

2.2 Public Hearing Process:

As per the Karnataka Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006, read with the KERC Tariff Regulations, 2000, and KERC (General and Conduct of Proceedings) Regulations 2000, the Commission vide its letter dated 2nd January, 2018 treated the application of HESCOM as petition and directed HESCOM to publish the summary of its ARR and Tariff proposals in the newspapers calling for objections, if any, from interested persons.

Accordingly, HESCOM has published the same in the following newspapers:

Name of the News Paper	Language	Date of Publication
Times of India	English	06-01-2018 & 07-01-2018
The New Indian Express		
Deccan Herald	Kannada	
Vijaya Karnataka		
Samyuktha Karnataka		
Udayavani		

HESCOM's application on APR of FY 17, Revision of ARR for FY 19 and revision of retail supply tariff for FY18 were also hosted on the web-sites of HESCOM and the Commission for the ready reference and information of the general public.

In response to the application of HESCOM, the Commission has received eleven statements / letters of objections. HESCOM has furnished its replies to all these objections. The Commission has held a Public Hearing on 26th February, 2018 at Dharwad. The details of the written / oral submissions made by various stakeholders and the responses from HESCOM thereon and

Commission's views have been discussed in Chapter - 3 / Appendix to this Order.

2.3 Consultation with the Advisory Committee of the Commission:

The Commission has also discussed the proposals of the KPTCL and all the ESCOMs in the State Advisory Committee meeting held on 14th March, 2018. During the meeting the following important issues were also discussed:

- Performance of KPTCL / ESCOMs during FY 17
- Major items of expenditure of KPTCL / ESCOMs for FY 19

Members of the Committee have offered valuable suggestions on the proposals. The Commission has taken note of these suggestions while passing the Order.