Suggestions/Objections on Suo-motu tariff revision for KSEB Ltd. proposed by Hon'ble KSERC for FY 2016-17 and FY 2017-18

Submitted by the Kerala HT & EHT Industrial Electricity Consumers' Association

January 3, 2017

Background

- Hon’ble KSERC issued Public Notice on June 22, 2016 on Suo-motu tariff revision for FY 2016-17 and FY 2017-18.
- The Association filed its suggestions and objections on the said Public Notice.
- KSEB Ltd. filed its proposal for revision of CSS and imposing Additional Surcharge for OA consumers for FY 2016-17, which was admitted as OP NO. 13/16.
- The Association filed its Suggestions and objections on the said Petition.
- Hon’ble KSERC vide Public Notice dated December 1, 2016 proposed the revised category-wise tariffs for remaining part of FY 2016-17 and FY 2017-18.
- The Association is hereby pleased to submit the Suggestions and Objections on the said Public Notice.

Preliminary Objections…1/3

Scope for Reduction in Tariff rather than Increase

- Scope of average reduction of tariff by Rs. 0.34/kWh on account of provisional assessment of revenue surplus of Rs. 167 Crore and Rs. 739 Crore for FY 2016-17 and FY 2017-18 made by Hon'ble KSERC.
- Scope of reduction of tariff by Rs. 1.02/kWh based on revised ARR proposed by the Association.

No Justification for True-up for FY 2011-12 and FY 2012-13

- Sole cause for proposed increase in tariff – Provisionally assessed Revenue gap of Rs. 4924 Crore for FY 2011-12 and FY 2012-13
- No justification for non-submission of True-up Petitions by KSEB Ltd. for 5-6 years even though Audited Accounts are available.
- As per Judgments of Hon'ble SC and Hon'ble APTEL, KSEB Ltd. Has lost its right to claim revenue gap for FY 2011-12 and FY 2012-13 due to inordinate delay in filing its True-up Petition.
- State Government Notification dated January 2015 showed that there is no outstanding regulatory asset.

No Justification for Truing Up of 2011-12 and 2012-13.

- ***APTEL Order….Truing up should be carried out regularly and preferably every year. For example, truing up for the financial year 2009-10 should be carried out along with the ARR and tariff determination for the financial year 2011-12**…"*

- ***It is not desirable to delay the truing up exercise for several years and then spring a surprise for the licensee and the consumers by giving effect to the truing up for the past several years**."*

- **(2009) 6 SCC 235 dated March 3, 2009 in Civil Appeal No. 1110 of 2007 in UPPCL & Others vs. NTPC**
- *"63. Furthermore, the direction of the Tribunal that the additional costs may be absorbed in the new tariff, in our opinion, was not correct. **Some persons who are consumers during the tariff year in question may not continue to be the consumers of the appellant. Some new consumers might have come in. There is no reason as to why they should bear the brunt.** Such quick-fix attitude, in our opinion, is not contemplated as framing of forthcoming tariff was put subject to fresh Regulations and not the old Regulations. "*

No Justification for Truing Up of 2011-12 and 2012-13.

- ***Supreme Court of India Judgement on:***

- ***<u>(2009) 6 SCC 235 dated March 3, 2009 in Civil Appeal No. 1110 of 2007 in UPPCL & Others vs. NTPC</u>***

- *"63. Furthermore, the direction of the Tribunal that the additional costs may be absorbed in the new tariff, in our opinion, was not correct.* ***Some persons who are consumers during the tariff year in question may not continue to be the consumers of the appellant. Some new consumers might have come in. There is no reason as to why they should bear the brunt.*** *Such quick-fix attitude, in our opinion, is not contemplated as framing of forthcoming tariff was put subject to fresh Regulations and not the old Regulations. "*

No Justification for Truing Up of 2011-12 and 2012-13.

- *Another important reason for not considering the Revenue Gap on account of true-up for FY 2011-12 and FY 2012-13 as recoverable from the tariffs of FY 2016-17 and FY 2017-18, is the second Transfer Scheme notified by the Government of Kerala, which created KSEB Ltd. as the successor entity of the erstwhile KSEB with a clean Balance Sheet and no past liabilities/Revenue Gaps.*
- *The State Government Notification dated January 2015 shows that there is no outstanding Regulatory Assets. In such a case, KSEB Ltd. cannot have a claim against Regulatory Assets from the consumers, having already adjusted these amounts with the State Government.*
- *In fact, allowing KSEB Ltd. to recover this amount from* consumers will amount to undue enrichment of KSEB Ltd. and will add to the profits, as there is no corresponding unfunded expense in the Balance Sheet of KSEB Ltd.

Preliminary Objections…2/3

Financial Position of KSEB Ltd.

- The true-up of FY 2013-14, FY 2014-15 and FY 2015-16 is pending
- The average tariff increase in Kerala over the 5-year period at 16% from FY 2011-12 to FY 2015-16 is the highest in the country. (Govt. of India report)
- The cumulative increase for the subsidising HT and EHT industrial category over the last 3 Tariff Orders is much higher, and ranges between 50% to 60%, as shown below

Category	Average Electricity Tariff (Rs/kWh)				% increase
	June 2012	July 2012	May 2013	Aug 2014	
HT Industrial	4.12	5.21	5.7	6.18	50
EHT 66 kV	3.77	4.97	5.35	5.94	58
EHT 110 kV	3.49	4.70	5.15	5.54	59

- Significant jump in revenue on this account has improved financial position of KSEB Ltd.
- If KSEB Ltd. had faced financial difficulties, it would have filed Tariff Petitions in timely manner, which it has not done despite repeated directives of Hon'ble KSERC.

Preliminary Objections…3/3

Potential for saving of Cost

- KSEB Ltd. is likely to sign tripartite UDAY Agreement with Government of India and State Government, wherein 75% of loans shall be take over by GoK.
- Stringent loss reduction trajectory under UDAY would reduce ARR of KSEB Ltd. significantly and Revenue surplus will increase further (Potential saving estimated by GoI – Rs. 875 Crore on account of reduction in AT&C alone).
- Overall cost of power purchase (67% of total ARR at present) is reducing on account of cheap surplus power available in the country.

Provisionally Assessed ARR vs. Crystallised ARR

- In the past, the Hon'ble KSERC has crystallised the amount of cumulative Revenue Gap before proceeding with the tariff revision process.
- It is not clear as to why the Hon'ble KSERC has deviated from this standard practice by proposing the tariff revision on the basis of the "provisionally assessed" cumulative Revenue Gap

Without prejudice to the above contentions, the Association presents its comments and suggestions on the suo-motu tariff increase proposed by the Hon'ble KSERC

In this Presentation…

- Issue-wise submissions on ARR for FY 2016-17 and FY 2017-18
- Tariff Proposal
- Prayers

I. Issue-wise submissions on components of ARR

T&D Loss & Energy Requirement…1/3

- Hon'ble KSERC has segregated the overall T&D loss of 13.65% for FY 2017-18 into Transmission Losses of 4.50% and Distribution Losses of 10.42%.

- However, there is no basis for considering the Transmission loss as 4.50%.

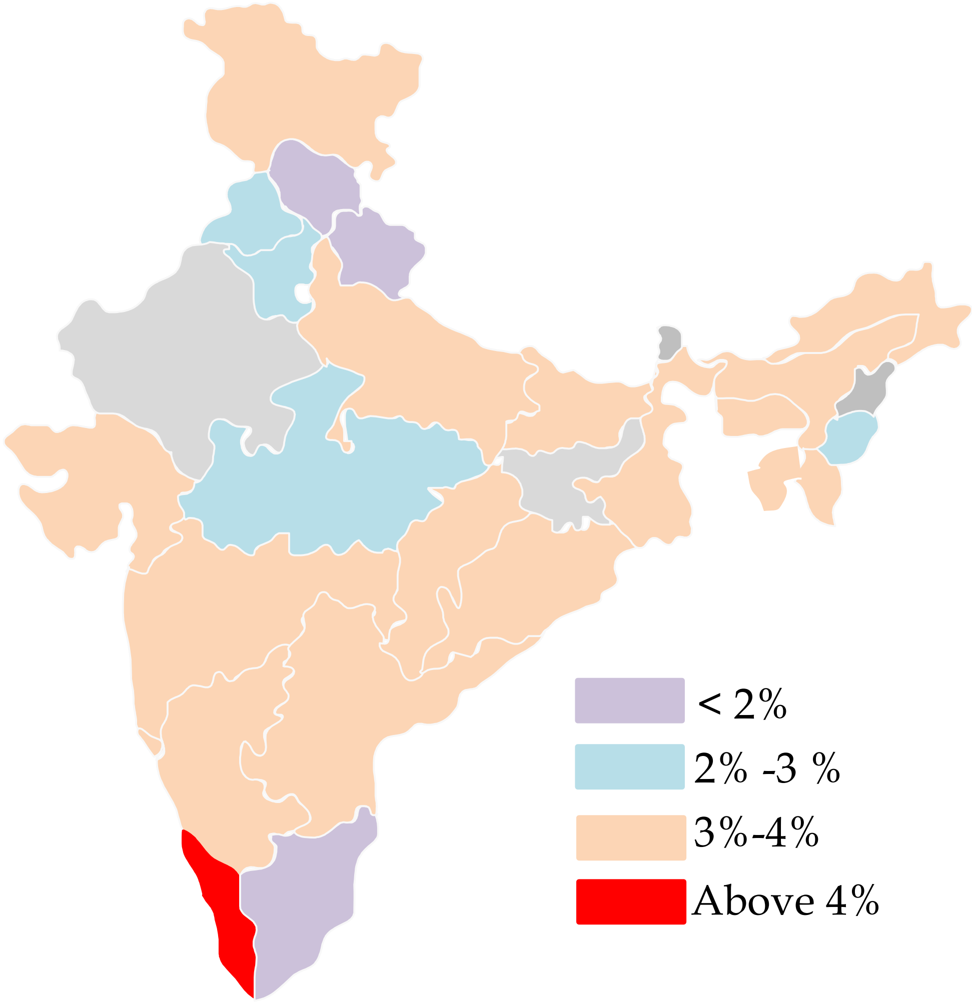
- Comparison of Transmission Loss in different states shows that Transmission losses being allowed in Kerala at 4.50% are the highest in the country.

- **The Association respectfully submits that the Transmission Losses in KSEB Ltd's system cannot be higher than 3%.**
- **If the Transmission Losses are considered as 3%, then the effective Distribution loss gets revised from 10.72% and 10.42% to 11.72% and 11.43% for FY 2016-17 and FY 2017-18, respectively.**
- **Similarly, the LT losses gets revised from 11.76% and 11.39% to 13.00% and 12.63% for FY 2016-17 and FY 2017-18, respectively.**

T&D Loss & Energy Requirement…2/3

Transmission Loss in different States

Sl No.	State	Transmission loss in %
1	Himachal Pradesh	0.75
2	Pondicherry	1.00
3	Tamil Nadu	1.75
4	Uttarakhand	1.82
5	Haryana	2.48
6	Punjab	2.50
7	Madhya Pradesh	2.59
8	Mizoram	3.00
9	West Bengal	3.10
10	Chandigarh	3.38
11	Arunachal Pradesh	3.40
12	Telangana	3.40
13	Karnataka	3.47
14	Uttar Pradesh	3.59
15	Manipur	3.60
16	Assam	3.64
17	Goa	3.64
18	Gujarat	3.66
19	Orissa	3.70
20	Bihar	3.92
21	Maharashtra	3.92
22	Arunachal Pradesh	4.00
23	Jammu & Kashmir	4.00
24	Meghalaya	4.00
25	Kerala	4.50



T&D Loss & Energy Requirement…3/3

Re-computed Voltage Wise Losses

Sl No	Particulars	Units	KSERC		Association	
			2016-17	2017-18	2016-17	2017-18
1	Net energy input into the SBU-T of the KSEB L system (net internal generation + net power purchase at KSEBL periphery) (in MU)	MU	23955.52	25292.45	23955.52	25292.45
2	Transmission loss in percentage	%	4.50%	4.50%	3.00%	3.00%
3	Transmission loss in MU	MU	1078	1138.16	718.67	758.77
4	EHT sales (MU)	MU	1867.99	1944.01	1867.99	1944.01
5	HT& LT sale (MU)	MU	18757.71	19896.02	18757.71	19896.02
6	Total energy sale	MU	20625.7	21840.03	20625.70	21840.03
7	Net energy input to Distribution system for sale at HT & LT level (MU)= (1)-(3+4)	MU	21009.53	22210.28	21368.86	22589.67
8	Distribution loss in MU = (7)-(5)	MU	2251.82	2314.26	2611.15	2693.65
9	Total Distribution loss in percentage = (8)/(7)	%	10.72%	10.42%	12.22%	11.92%
10	HT Sale	MU	3299.36	3448.06	3299.36	3448.06
11	Distribution loss for providing supply at HT level (%)	%	5.50%	5.50%	5.50%	5.50%
12	Distribution loss incured for HT sale (MU)	MU	192.01	200.68	192.03	200.68
13	Net energy available for LT supply (MU)= (7)-(10)-(12)	MU	17518.16	18561.54	17877.48	18940.93
14	LT sale (MU)	MU	15458.34	16447.94	15458.34	16447.94
15	Distribution loss associated with LT supply = (13)-(14)	MU	2060.18	2113.6	2419.14	2492.99
16	Distribution loss in (%) for providing supply at LT Level= (15/(13)	%	11.76%	11.39%	13.53%	13.16%
17	Combined Transmission and Ditribution loss in MU = (3)+(12)+(15)	MU	3330.19	3452.44	3329.83	3452.44
18	Combined T&D Loss in (%) = (17)/(1)	%	13.90%	13.65%	13.90%	13.65%

Return on Equity (RoE)…1/2

- The Commission has considered the RoE @14% on the equity of Rs. 3499 crore, which is not justified
- The APTEL has directed the Commission to allow 14% rate of return on the equity amount recommended by the Consultant.
- The APTEL in its judgement dated 18.11.2015 in Appeal No. 247 of 2014, has ruled as under *"The Consultant engaged by the Commission has suggested that the Commission may allow RoE either on the equity capital allowed earlier by the Commission or the reduced equity capital of Rs. 283.91 crore."*
- *"We are of the view that since the consultant appointed by the State Commission has studied the whole system and recommended the equity value, hence, we direct the Commission to consider the equity amount specified by the Consultant and 14% rate of return on this amount has to be considered"*
- As stated by the Consultant, *"If any or all of the other adjustments are not considered for the purpose of ARR and tariff determination, on account of being inappropriate, then the equity capital to be considered would be reduced."*
- **It may be noted that the Hon'ble APTEL's Judgment specifically considered the provisions of the KSERC Tariff Regulations, 2014 and the Second Transfer Scheme and interpreted that the Equity Base should necessarily be considered as advised by the Consultant appointed by the Hon'ble KSERC.**

Return on Equity (RoE)…2/2

- **The Hon'ble APTEL Judgment, which interpreted the KSERC Tariff Regulations with reference to the Second Transfer Scheme has not been stayed by any higher Court, and is still the final legal Order on this issue.**
- **The Hon'ble KSERC has merely stated that it proposed to allow RoE as per the KSERC Tariff Regulations, 2014 and has not addressed the ruling given by the Hon'ble APTEL on this issue, which amounts to flouting the Hon'ble APTEL's Judgment.**
- **The G.O. dated May 2015 merely reiterates that the adjustments made to arrive at the Opening Balance Sheet have resulted in the increase in equity and hence, the increase in equity should be attributed to part of the duty collected.**
- **As the Consultant in its Report has already analysed these adjustments and concluded that the correct equity is Rs. 283.91 crore, it is improper to place reliance on the G.O. dated May 13, 2015.**
- **Association humbly submits that the RoE of 14% should be allowed only on the reduced equity capital of Rs. 283.91 crore, as worked out by the Consultant based on the detailed analysis of balance sheet.**

Interest and Finance Charges...1/2

- **The Association respectfully submits that the interest of Rs. 814 crore on the Bonds to be issued to the Master Trust should not be allowed, due to the following reasons:**
  - Regulation 31 of KSRC Tariff Regulations, 2014 allows for **interest on the bonds issued** by KSEBL.
  - The Hon'ble APTEL has ruled that the actual interest expenses on the Bonds actually issued to the Master Trust should only be allowed by the Hon'ble Commission
  - The G.O. referred by the Hon'ble Commission only states that KSEB Ltd. will issue a 20 year bond with a coupon rate of 10% for Rs. 8144 crore. However, it does not say that such a Bond has been issued to the Master Trust.
  - There is no evidence available as to whether KSEB Ltd. has actually issued the Bonds, as required to have been done in accordance with the second Transfer Scheme.
  - **Association respectfully submits that the interest expenses of Rs. 814 Crore should not be allowed as part of the Interest and Finance charges.**

Interest and Finance Charges…2/2

- KSEB Ltd. has not obtained the Commission's in-principle/prior approval for the capital expenditure for FY 2015-16 and FY 2016-17. Thus, no increase can be allowed in the outstanding loans.

- The Association respectfully submits that the entire capital expenditure and associated borrowings after notification of the Tariff Regulations, 2014, should be disallowed, as the same are not in accordance with the Tariff Regulations, 2014.

- **In accordance with the Tariff Regulations, the loan repayment has been considered equal to the depreciation**, which reduces the outstanding loan to Rs. 2698.07 crore at the beginning of FY 2016-17, and to Rs. 2274.27 crore, at the beginning of FY 2017-18. The average loan in FY 2016-17 and FY 2017-18 thus, works out to Rs. 2481.67 crore and Rs. 2066.87 crore, respectively.

- **The Association considered the interest rate at 11% as estimated by the Commission, the interest on long-term loan works out to Rs. 273 crore and Rs. 227 crore for FY 2016-17 and FY 2017-18, respectively.**

O&M Expenses for G ,T and D Business…1/2

- KSEB Ltd. has only now submitted the details of new Generating Stations commissioned and original project cost has not been approved by Hon'ble Commission for these projects.
- No O&M Expenses should be allowed over and above the O&M Expenses allowed for the existing Generating Stations, and **the O&M Expenses of Rs. 72.07 Crore for FY 2016-17 and Rs. 76.28 Crore for FY 2017-18 may only be allowed for SBU (G).**
- The capex incurred by KSEB Ltd. has not been accorded in-principle approval by the Hon'ble Commission.
- Hence, it is incorrect to allow O&M expenses for asset addition that has been undertaken without the Hon'ble KSERC's explicit approval.
- Hence, **the Association respectfully submits that the normative O&M expenses for Transmission Business and Distribution Business should be allowed by considering only the assets that have been added upto FY 2014-15**.

O&M Expenses for G ,T and D Business…2/2

Sl. No.	Business	KSERC Suo-motu Proposal		Kerala HT & EHT Association		Difference	
		FY 2016-17	FY 2017-18	FY 2016-17	FY 2017-18	FY 2016-17	FY 2017-18
1	Generation	75.71	80.13	72.07	76.28	3.64	3.85
2	Transmission	193.82	216.78	190.04	201.47	3.78	15.31
3	Distribution	1326.62	1440.36	1291.11	1362.26	35.51	78.1
	TOTAL	**1596.15**	**1737.27**	**1553.22**	**1640.01**	**42.93**	**97.26**

Impact on overall ARR…1/2

Revised ARR & Revenue Surplus for FY 2016-17 (Rs. Crore)

Particulars	FY 2016-17							
	KSERC suo-motu Petition				Kerala EHT & HT Association			
	SBU-G	SBU-T	SBU-D	Total	SBU-G	SBU-T	SBU-D	Total
Power Purchase			7186	7186			7186.00	7186.00
Interest & Finance Expenses	220.84	285.64	981.79	1488.27	84.20	107.18	394.45	585.83
Depreciation	172.43	184.25	58.12	414.80	172.43	184.25	58.12	414.80
O&M Expenses	75.71	193.82	1326.62	1596.15	72.07	190.04	1291.11	1553.22
Return on Equity	203.63	217.59	68.64	489.86	16.52	17.65	5.57	39.75
Total ARR	**672.61**	**881.30**	**9621.17**	**11175.08**	**345.22**	**499.13**	**8935.25**	**9779.60**
Less: Non-Tariff Income			441.00	441.00			441.00	441.00
Net ARR	**672.61**	**881.30**	**9180.17**	**10734.08**	**345.22**	**499.13**	**8494.25**	**9338.60**
Revenue from Tariff				10900.72				10900.72
Revenue Surplus				**166.64**				**1562.12**

Impact on overall ARR…2/2

Revised ARR & Revenue Surplus for FY 2017-18 (Rs. Crore)

Particulars	FY 2017-18							
	KSERC suo-motu Petition				Kerala EHT & HT Association			
	SBU-G	SBU-T	SBU-D	Total	SBU-G	SBU-T	SBU-D	Total
Power Purchase			7091.09	7091.09			7091.09	7091.09
Interest & Finance Expenses	221.29	286.58	998.68	1506.55	72.17	93.10	397.29	562.56
Depreciation	172.43	184.25	58.12	414.80	172.43	184.25	58.12	414.80
O&M Expenses	80.13	216.78	1440.36	1737.27	76.28	201.47	1362.26	1640.01
Return on Equity	203.63	217.59	68.64	489.86	16.52	17.65	5.57	39.75
Total ARR	**677.48**	**905.20**	**9656.89**	**11239.57**	**337.40**	**496.47**	**8914.33**	**9748.20**
Less: Non-Tariff Income			449.00	449.00			449.00	449.00
Net ARR	**677.48**	**905.20**	**9207.89**	**10790.57**	**337.40**	**496.47**	**8465.33**	**9299.20**
Revenue from Tariff				11529.74				11529.74
Revenue Surplus				**739.17**				**2230.54**

Reduction in ACoS

Revised ARR & Revenue Surplus for FY 2017-18 (Rs. Crore)

S.No.	Particulars	FY 2016-17	FY 2017-18
1	Surplus assessed by KSERC (Rs. Cr)	166.64	739.17
2	Addnl. Reduction in ARR (Rs. Cr)	1395.48	1491.37
3	Total Surplus	1562.12	2230.54
4	Sales (MU)	20626	21840
5	Reduction in ACoS with KSERC Proj.	0.08	0.34
6	Addnl. Reduction in ACoS (Rs./kWh)	0.68	0.68
7	Total Reduction in ACoS (RS/kWh)	0.76	1.02

II. Tariff Proposal

Tariff Proposal

- The Commission has not applied the rationale that the EHT and HT tariffs should be lower than the LT tariffs, though the Voltage Cost of Supply (VCoS) has been computed.
- The ACoS of Rs. 5.60 /kWh appears to be incorrect.
- The correct ACoS, considering the ARR of Rs. 12163 crore and Sales of 21840 MU, as worked out by the Commission works out to Rs. 5.57 /kWh.
- Considering this ACoS, the cross-subsidy levels work out differently, and it is seen that the cross-subsidy levels have not been reduced from existing levels for certain subsidising categories, which is inconsistent with the provisions of the EA 2003 and Tariff Policy.
- After considering the further reduction of Rs. 0.68 /kWh, the ACoS will reduce further to Rs. 4.89 per kWh.
- Hon'ble Commission should actually reduce the tariffs for categories having cross-subsidy levels in excess of 120% to reduce closer to the levels of +120% of ACoS.

Revised VCOS for FY 2016-17

Sl.	Particulars	KSERC Suo-motu Tariff Proposal				Kerala HT & EHT Association			
		EHT	HT	LT	Total	EHT	HT	LT	Total
1	Energy Sale at different Voltage Levels (MU)	1867.99	3299.36	15458.34	20625.69	1867.99	3299.36	15458.34	20625.69
2	Distribution Loss associated with energy sale at different Voltages (%)	0%	5.50%	11.76%		0%	5.50%	13.53%	
3	Distribution Loss associated with energy sale at different Voltages (MU)	0.00	192.03	2059.81	2251.83	0.00	192.03	2419.14	2611.16
4	Energy Input for Sales at different Voltages (MU)	1867.99	3491.39	17518.15	22877.52	1867.99	3491.39	17877.48	23236.85
5	Power Purchase Cost (apportioned to different Voltages in the ratio of energy input) (Rs. Cr.)	713.63	1333.82	6692.47	8739.91	645.55	1206.58	6178.23	8030.36
6	Distribution Cost (apportioned to different Voltages in the ratio of energy input) (Rs. Cr.)	203.72	380.77	1910.52	2495.01	105.17	196.57	1006.51	1308.25
7	Total Cost (Rs. Cr.)	917.35	1714.58	8602.98	11234.92	750.72	1403.15	7184.74	9338.61
8	**Cost per Unit (Rs/kWh)**	**4.91**	**5.20**	**5.57**		**4.02**	**4.25**	**4.65**	

Category-wise Cross subsidy levels…1/4

- The Association has re-computed the category-wise cross-subsidy levels considering the ACoS of Rs. 5.57/kWh, as shown in the Table below:

Sl.	Category	FY18 Sales (MU)	ABR			Cross-subsidy (%)			Tariff Increase (%)
			Prev. T.O.	Existing	KSERC Proposal	Prev. T.O.	Existing	KSERC Proposal	
	LT Category	**16448**							
1	Domestic (LT I A)	11393.81	3.76	3.76	4.08	71.21%	67.51%	73.26%	8.50%
2	Commercial	3259.44							
3	Industrial (LT IVA)	1116.63	5.96	5.96	6.41	112.88%	107.02%	115.10%	7.60%
4	Industrial (LT IVA)		6.7	6.7	6.7	126.89%	120.31%	120.31%	0.00%
5	Agricultural	287.4	2.39	2.39	2.39	45.27%	42.92%	42.92%	0.00%
6	General (LT VI A)		6.28	6.28	6.28	118.94%	112.76%	112.76%	0.00%
7	General (LT VI B)		7.1	7.1	7.1	134.47%	127.49%	127.49%	0.00%
8	General (LT VI C)		9	9	9	170.45%	161.60%	161.60%	0.00%
9	General (LT VI E)		5.94	5.94	6.33	112.50%	106.66%	113.66%	6.60%
10	General (LT VI F)		8.4	8.4	7.33	159.09%	150.83%	131.62%	-12.70%
11	General (LT VII A)		9	9	8.33	170.45%	161.60%	149.57%	-7.40%
12	General (LT VII B)		5.48	5.48	5.7	103.79%	98.40%	102.35%	4.00%
13	General (LT VII C)		8	8	8	151.52%	143.65%	143.65%	0.00%
14	Street Lights (LT VIII)	390.67	3.75	3.75	4.35	71.02%	67.34%	78.11%	16.00%
	HT Category	**3448.07**							
15	HT I Industrial (HT I A)	2009.59	6.11	6.11	6.4	115.72%	109.71%	114.92%	4.70%
16	HT I Industrial (HT I B)		6.44	6.44	6.64	121.97%	115.64%	119.23%	3.10%
17	HT II General (HT II A)	766.58	6.67	6.67	6.87	126.33%	119.77%	123.36%	3.00%
18	HT II General (HT II B)		8.36	8.36	8.36	158.33%	150.11%	150.11%	0.00%
19	HT III Agriculture (HT III A	7.05	5.5	4.82	4.82	104.17%	98.76%	86.55%	0.00%
20	HT III Agriculture (HT III B)		4.38	4.38	4.38	82.95%	78.65%	78.65%	0.00%
21	HT IV Commercial	653.11	9.05	9	9	171.40%	162.50%	161.60%	0.00%
22	HT V Domestic	11.74	7.73	7.73	7.73	146.40%	138.80%	138.80%	0.00%
	EHT Category	**1301.71**							
23	EHT 66 kV	248.03	5.41	5.41	5.7	102.46%	97.14%	102.35%	5.40%
24	EHT 110 kV	700.99	5.48	5.48	5.78	103.79%	98.40%	103.79%	5.50%
25	EHT 220 kV	35.12	6.77	6.77	6.77	128.22%	121.56%	121.56%	0.00%
26	EHT General	75.54	8.17	8.17	8.17	154.73%	146.70%	146.70%	0.00%
27	Railway Traction	242.03	5.75	5.75	6.05	108.90%	103.25%	108.63%	5.20%

Category-wise Cross subsidy levels…2/4

- The Association has re-computed the category-wise cross-subsidy levels considering the ACoS of Rs. 4.89/kWh, as shown in the Table below:

Sl.	Category	FY18 Sales (MU)	ABR			Cross-subsidy (%)			Tariff Increase proposed by KSERC (%)
			Prev. T.O.	Existing	KSERC Proposal	Prev. T.O.	Existing	KSERC Proposal	
	LT Category	16447.95							
1	Domestic (LT I A)	11393.81	3.76	3.76	4.08	71.21%	76.89%	83.44%	8.5%
2	Commercial	3259.44							
3	Industrial (LT IVA)	1116.63	5.96	5.96	6.41	112.88%	121.88%	131.08%	7.6%
4	Industrial (LT IVA)		6.70	6.70	6.70	126.89%	137.01%	137.01%	0.0%
5	Agricultural	287.40	2.39	2.39	2.39	45.27%	48.88%	48.88%	0.0%
6	General (LT VI A)		6.28	6.28	6.28	118.94%	128.43%	128.43%	0.0%
7	General (LT VI B)		7.10	7.10	7.10	134.47%	145.19%	145.19%	0.0%
8	General (LT VI C)		9.00	9.00	9.00	170.45%	184.05%	184.05%	0.0%
9	General (LT VI E)		5.94	5.94	6.33	112.50%	121.47%	129.45%	6.6%
10	General (LT VI F)		8.40	8.40	7.33	159.09%	171.78%	149.90%	-12.7%
11	General (LT VII A)		9.00	9.00	8.33	170.45%	184.05%	170.35%	-7.4%
12	General (LT VII B)		5.48	5.48	5.70	103.79%	112.07%	116.56%	4.0%
13	General (LT VII C)		8.00	8.00	8.00	151.52%	163.60%	163.60%	0.0%
14	Street Lights (LT VIII)	390.67	3.75	3.75	4.35	71.02%	76.69%	88.96%	16.0%
	HT Category	3448.07							
15	HT I Industrial (HT I A)	2009.59	6.11	6.11	6.40	115.72%	124.95%	130.88%	4.7%
16	HT I Industrial (HT I B)		6.44	6.44	6.64	121.97%	131.70%	135.79%	3.1%
17	HT II General (HT II A)	766.58	6.67	6.67	6.87	126.33%	136.40%	140.49%	3.0%
18	HT II General (HT II B)		8.36	8.36	8.36	158.33%	170.96%	170.96%	0.0%
19	HT III Agriculture (HT III A)	7.05	5.50	4.82	4.82	104.17%	112.47%	98.57%	0.0%
20	HT III Agriculture (HT III B)		4.38	4.38	4.38	82.95%	89.57%	89.57%	0.0%
21	HT IV Commercial	653.11	9.05	9.00	9.00	171.40%	185.07%	184.05%	0.0%
22	HT V Domestic	11.74	7.73	7.73	7.73	146.40%	158.08%	158.08%	0.0%
	EHT Category	1301.71							
23	EHT 66 kV	248.03	5.41	5.41	5.70	102.46%	110.63%	116.56%	5.4%
24	EHT 110 kV	700.99	5.48	5.48	5.78	103.79%	112.07%	118.20%	5.5%
25	EHT 220 kV	35.12	6.77	6.77	6.77	128.22%	138.45%	138.45%	0.0%
26	EHT General	75.54	8.17	8.17	8.17	154.73%	167.08%	167.08%	0.0%
27	Railway Traction	242.03	5.75	5.75	6.05	108.90%	117.59%	123.72%	5.2%

Category-wise Cross subsidy levels…3/4

Conclusions of the Association from above computations:

- The cross-subsidy levels have effectively been increased for all subsidising HT and EHT categories, which is inconsistent with the provisions of the EA 2003 and Tariff Policy.

- The cross-subsidy levels have been increased from existing levels for the subsidised LT and HT Agricultural categories.

- The necessity of providing subsidy to any category on account of adverse conditions is the prerogative of the State Government under Section 65 of the EA 2003. The EA 2003 does not permit the Hon'ble Commission to increase the cross-subsidy for other categories based on such considerations.

- No mention of existing or proposed tariffs or cross-subsidy for LT Commercial category, which is subsidising category. The Appropriate tariffs should be determined.

Category-wise Cross subsidy levels…4/4

- The Association respectfully submits that the cross-subsidy for all categories should be within +20% of ACoS, and request to re-compute the ACoS as suggested by the Association and accordingly revise the category wise tariffs, keeping cross-subsidy reduction trajectory in mind.

- Regulation 86(10) of KSERC Tariff Regulations, 2014 specifies that *"While determining the tariff the Commission may also keep in view the cost of supply at different voltage levels and the need to minimise tariff shock to any category of consumers"*.

- To consider for encouraging installation of solar generation and facilitate KSEB Ltd. to achieve its RPO, Generation Based Incentive (GBI) of Rs. 1.75 /kWh (@50% of Solar REC floor price of Rs. 3.50 /kWh) for grid connected systems and GBI of Rs. 100/kW per month for off-grid/stand-alone solar installations.

Incentives/Discounts…1/4

Excluding Demand recorded during night off-peak hours

- **To exclude the demand recorded during the night off-peak hours from 22:00 hours to 06:00 hours, while considering the Recorded Demand for billing purposes.**
  - Consumers have shifted/are shifting load from peak to off-peak to avail off-peak rebates.
  - Probable consequence of increase in recorded demand and thereby demand charges after shifting of load.
  - The proposal ensure that consumers are not unduly penalised for shifting of load.
  - Similar dispensation provided in Maharashtra for several years

Monthly Billing Demand will be the higher of the following:

a. Actual Maximum Demand recorded in the month during 0600 hours to 2200 hours;

b. 75% of the highest Billing Demand recorded during the preceding eleven months, subject to the limit of Contract Demand;

c. 50% of the Contract Demand.

Note: - Only the Demand registered during the period 0600 to 2200 Hrs. will be considered for determination of the Billing Demand.

- In case of a change in Contract Demand, the above period will be reckoned from the month following the month in which the change of Contract Demand is effected."

Incentives/Discounts…2/4

Power Factor Incentive

- **To increase the PF incentive such that the maximum incentive that can be earned is up to 7%, as being allowed in other States.**
  - Cap of PF incentive to 2.5% at unity PF is very low.
  - For reference, the prevalent dispensation in Maharashtra is shown as under:

"Whenever the average Power Factor is more than 0.95, an incentive shall be given at the rate of the following percentages of the amount of the monthly electricity bill, excluding Taxes and Duties:

Sl.	*Range of Power Factor*	*Power Factor Level*	*Incentive*
1	*0.951 to 0.954*	*0.95*	*0%*
2	*0.955 to 0.964*	*0.96*	*1%*
3	*0.965 to 0.974*	*0.97*	*2%*
4	*0.975 to 0.984*	*0.98*	*3%*
5	*0.985 to 0.994*	*0.99*	*5%*
6	*0.995 to 1.000*	*1.00*	*7%*

Note: Power Factor shall be measured/computed upto 3 decimals, after universal rounding off."

Incentives/Discounts…3/4

Load Factor Incentive

- **To consider the proposal for introducing Load Factor Incentive, to incentivise consumers to maintain high load factor, which will improve the utilisation of the contracted capacity.**
  - For reference, the prevalent dispensation in Maharashtra is shown as under:

    "Consumers having Load Factor above 75% and upto 85% will be entitled to an incentive in the form of a rebate of 0.75% on the Energy Charges for every percentage point increase in Load Factor from 75% to 85%. Consumers having a Load Factor above 85 % will be entitled to a rebate of 1% on the Wheeling Charges, Energy Charges, and Regulatory Asset Charge for every percentage point increase in Load Factor from 85%. The total rebate will be subject to a ceiling of 15% of the Energy Charges applicable to the consumer."

  - The prevalent dispensation in **Orrisa** through tariff design is as under:

Category	Supply Voltage	Demand Charges (Rs./kVA/month)	Energy Charges (Rs./kWh)	
HV-3: General Purpose, Large Industry, Power Intensive Industry	EHT	250	Load Factor = < 60%	5.20
			Load Factor above 60%	4.15
	HT	250	Load Factor = < 60%	5.25
			Load Factor above 60%	4.20

Incentives/Discounts…4/4

Prompt Payment Incentive

- **To increase the Prompt payment incentive to 2% from existing level of 0.3%.**
  - Presently, consumers are entitled to Prompt Payment incentive of 0.3% of total bill excluding duties.
  - This rebate is very low.
  - KSEB Ltd. is entitled to a rebate of 2% on prompt payment of its power purchase bills to the Central Generating Stations
  - It is only fair that the consumers, who are enabling KSEB Ltd. to pay the CGS bills on time, should also get Prompt Payment incentive of 2% of total bill excluding duties.

- **To clarify that no transaction charges shall be applicable from KSEB Ltd.'s side, for all online payments made through Credit Card/Debit Card/Direct Debit from bank, etc.**

Cross Subsidy Surcharge

Cross Subsidy Surcharge

- **The Transmission Loss considered for Open Access Transactions should be only 3.00% and CSS should also be re-calculated accordingly.**

- CSS should be re-calculated on revised tariff after taking into account the proposal of the Association for reduction of average tariff by Rs. 1.02/kWh.

III. Prayers

Prayers …1/2

- Reconsider the Transmission Losses, Return on Equity, Interest on Loan, and normative O&M expenses as suggested by the Association, and accordingly reassess the cumulative revenue gap/(surplus) of KSEB Ltd. for FY 2016-17 and FY 2017-18;
- Ensure that the cross-subsidy levels of the subsidising industrial categories are reduced to below existing levels, with respect to the correctly calculated ACoS;
- Consider the cost of supply at different voltage levels, as computed by the Association, as the basis while determining the tariffs;
- Reconsider the incentives/discounts being offered based on the Association's suggestions;
- Re-calculate the CSS considering the revised Transmission Losses of 3% and the revised Tariffs after considering the reduced ACoS;

Prayers …1/2

- Consider the Association's detailed submissions and reduce the average tariffs by Rs. 1.02 per kWh;

- Provide an opportunity to present our views on any submissions made by KSEB Ltd. during the course of these proceedings;

- Provide clear and sufficient justification for rejecting or not considering any of the Association's submissions in the Tariff Order, especially the submission for not considering the past Truing up for FY 2011-12 and FY 2012-13;

- Condone any inadvertent omissions/errors/shortcomings and permit the Association to add/change/modify/alter this submission and make further submissions as may be required at a future date;

- Pass such Orders as the Hon'ble KSERC may deem fit in the facts of the present case.

Thank You