

**Karnataka Electricity Regulatory Commission,
Bangalore.**

**Notification No: D/07/7 dated: 1.10.2007
K.E.R.C. (Security Deposit) Regulations, 2007.
Notified in Karnataka Gazette dated 11.10.2007**

Preamble:

As per Section 47 of the Electricity Act 2003, a Distribution Licensee may require any person, who requires a supply of electricity in pursuance of section 43 of the Act, to give reasonable security, as may be determined by regulations, for the payment to him of all monies which may become due to him in respect of electricity supplied to such person.

In order to frame these Regulations, the Commission had issued a discussion paper on 23.3.2007 and circulated the same among various Stakeholders to enable them to offer their views / suggestions / comments. The Commission had also issued a press note on 23.3.2007 inviting the views / suggestions / comments from interested persons. In response to this notification/ discussion paper, 52 persons / organizations have sent their suggestions / comments. The Commission has duly considered all the suggestions / comments received from various quarters.

Further, in order to finalize the Regulations, the Commission also held a public hearing on 8.8.2007 at 11.00 A.M. after giving wide publicity in the leading news papers to obtain suggestions and comments from any other interested persons / organizations. In this public hearing, many Consumer organizations and officers representing the K.P.T.C.L. and all the ESCOMs participated and put forth their views before the Commission. Several stakeholders have raised objections regarding the basis of assessment of estimated consumption per month for collection of Initial Security Deposit (ISD) and have suggested that the same shall be based on the data extracted from the audit reports/annual reports/ERC filing of the ESCOMs.

The Commission has also studied the procedure of collection of Security Deposit being followed in the neighbouring States. The Commission notes that Security Deposit equivalent to 2 MMD in case of monthly billing and 3 MMD in case of bi-monthly billing is being collected in the States of Andhra Pradesh, Tamil Nadu, and Kerala and Security Deposit equivalent to the billing cycle period or average of 3 months billing which ever is less is being collected in Maharashtra.

The data for assessment of the estimated consumption per month is now taken from the ERC / Tariff filing of the respective ESCOMs for a period of 7 years from 2000-01 to 2006-07 and estimated consumption per month is worked out based on the data of the above 7 years for computation of the Security Deposit.

The Hon'ble A.T.E. in its order dated: 23.1.2006 in Appeal No.69 of 2006 has held that the Security Deposit must be paid in accordance with the Regulations.

Further, Clause 30.02 and Clause 30.03 of the Conditions of Supply of Electricity of the Distribution Licensees in the State of Karnataka stipulate that the ISD (Initial Security Deposit) & ASD (Additional Security Deposit) shall be as determined by the Commission.

Based on these inputs and taking into consideration all the suggestions / views / comments put forth by the utilities / stake holders / Consumer fora and the existing dispensation in the neighboring States of Andhra Pradesh, Tamil Nadu, Kerala and Maharastra, Karnataka Electricity Regulatory Commission hereby makes the following Regulations in exercise of the powers conferred under section 181 read with section 47 of the Electricity Act 2003 (Central Act 36 of 2003) and all other powers enabling it in that behalf and orders that the same be published in the official gazette of Karnataka for information of all the concerned.

1. Short title, commencement and interpretation

- a. These Regulations shall be termed as K.E.R.C. (Security Deposit) Regulations, 2007.
- b. These Regulations shall come into force from the date of publication in the official Gazette of the State of Karnataka.
- c. These Regulations shall extend to the whole State of Karnataka.

2 Definitions

In these Regulations, unless the context otherwise requires: -

- a) "**Act**" means the Electricity Act, 2003 (36 of 2003);
- b) "**ASD**" means Additional Security Deposit as specified under Clause 6 of these Regulations;
- c) "**Bank Rate**" means the Bank Rate as notified by the Reserve Bank of India;
- d) "**Commission**" means the Karnataka Electricity Regulatory Commission;
- e) "**Consumer**" means any person who is supplied with electricity for his own use by a Licensee or the Government or by any other person engaged in the business of supplying electricity to the public under this Act or any other law for the time being in force and includes any person whose premises are for the time being connected for the purpose of receiving electricity with the works of a Licensee, the Government or such other person, as the case may be;
- f) "**Consumption charges**" means the consumption of electrical energy in Kwhrs multiplied by appropriate tariff rates and also includes Demand/Fixed charges, Fuel surcharge wherever applicable;
- g) "**Demand Charge**" means a charge levied to a Consumer based on the Contracted Demand or Maximum Demand recorded;

- h) **“Fixed Charge”** means a charge levied to a Consumer as per Tariff in force from time to time based on the sanctioned load or maximum demand recorded / Contract demand;
- i) **“Energy Charge”** means a charge levied to a Consumer for the consumption of electricity;
- j) **“Installation”** means the whole of the electric wires, fittings, motors and apparatus installed and wired by or on behalf of a Consumer on one and the same premises starting from the point of commencement of supply;
- k) **“ISD”** means Initial Security Deposit as specified under Clause 5 of these Regulations;
- l) **“KER. Act”** means the Karnataka Electricity Reform Act, 1999 (Karnataka Act No. 25 Of 1999);
- m) **“Licensee”** means a person who is a Distribution Licensee or deemed Licensee under section 14 of Electricity Act 2003.
- n) **“Month”** means the calendar month. The period of about 30 days between the two consecutive meter readings shall also be regarded as a month for purpose of billing;
- o) **“MMD”** means Monthly Minimum Deposit;
- p) **“R.R. No.”** or ‘Revenue Register Number’ means the number assigned to the Consumer’s installation;
- q) **“Supply”** in relation to electricity, means the sale of electricity to a Licensee or Consumer;
- r) **“Tariff”** means a schedule of standard prices or charges for specified services, which are applicable to all such specified services provided to the type of Consumers as determined by K.E.R.C. in the Tariff Orders from time to time;
- s) **“Year”** means calendar year;

The words and expressions used and not defined in these Regulations but defined in the Act/KER Act shall have the meanings as assigned to them in the Acts. In case of inconsistency in the words and expressions used between the Act and KER Act, 1999, the provisions in the Act shall always prevail.

3. Power to require security

- 3.1 The Distribution Licensee may require from any person, who requires a supply of electricity to his premises in pursuance of section 43 of the Act, to give security as provided in clause 4 of these Regulations, for the payment of all monies, which may become due to the Licensee:
- a. In respect of the electricity supplied to such person; or
 - b. Where any electric line or electrical plant or electric meter is to be provided for supplying electricity to such person, in respect of the provision of such line or plant or meter.

- 3.2 If such person fails to give such security under clause 3.1, the Distribution Licensee may, if he thinks fit, refuse to give supply of electricity or to provide the line or plant or meter for the period during which failure continues.

4. Security Deposit for the electricity supplied / to be supplied

- 4.1 All the Consumers shall at all times maintain with the Licensee an amount equivalent to fixed charges/demand charges plus energy charges corresponding to consumption for two months (2 MMD) in case of monthly billing and three months (3 MMD) in case of bi-monthly billing as Security Deposit towards the electricity supplied / to be supplied to them against any default in payment during the period the Agreement for supply of energy is in force.
- 4.2 If any person requiring supply opts to take the supply through a pre-payment meter, the Distribution Licensee shall not be entitled to collect the Security Deposit from such a person and the existing security deposit, if any, shall be refunded.

5. Initial Security Deposit (ISD)

- 5.1 All applicants for electricity shall pay Security Deposit to cover estimated power consumption charges for two months (2 MMD) in case of monthly billing and three months (3 MMD) in case of bi-monthly billing. The estimated power consumption charges shall include fixed charges for LT installations and demand charges on 100% contract demand for HT installations, fuel surcharges, if any. The fixed charges / demand charges shall be as per the Tariff schedule in force from time to time. The energy charges shall be on the basis of estimated consumption as per the table given below by applying the tariff schedule in force from time to time. The Distribution Licensee shall prepare and publish a ready reckoner regarding the ISD to be paid in respect of the new connections based on the above, and provide it to each applicant at the time of issue of application.

Table

Type of installation	Estimated consumption per month (30 days)
LT INSTALLATION	
a) (i) Bhagya Jyothi / Kuteer Jyothi * (ii) Domestic / Non-Domestic, Non Commercial lighting (iii) Non-commercial combined lighting, heating and power	(i) 16 units per installation (ii) & (iii) 45 Units per KW of sanctioned load.
b) Commercial Lighting	86 units per KW of sanctioned load.
c) Commercial heating and/or Motive power (LT Industries)	48 units per KW of sanctioned load.
d) Irrigation Pump sets under LT category	100 units per HP of sanctioned load.
e) Public lighting	360 units per KW of sanctioned load.
f) Others such as water supply & Sewerage	110 units per KW of sanctioned load.

installations, etc which are not covered above.	
HT INSTALLATION	
g) All HT installations	100 units per KVA of contract demand.

* Note: The Security Deposit in respect of BJ/KJ installations shall be collected from the G.o.K as the G.o.K has undertaken to pay the full energy charges of these categories.

5.2 In the case of Consumers who seek sanction of additional demand / load, the ISD shall be collected only for additional demand / load.

6. Additional Security Deposit (ASD)

6.1 General Review

The Licensee shall review the adequacy of the amount of Security Deposit in respect of all Consumers in the first quarter of every year based on the average consumption for the preceding year.

6.2 Demand notice for Additional Security Deposit

Based on such a review, demand for shortfall in Security Deposit or refund of excess Security Deposit shall be made by the Licensee. However, the Licensee can hold Security Deposit up to Rs.3000/- at the credit of any Consumer and refund the excess Security Deposit when it is over and above Rs.3000/-.

a) In the case of existing Consumers, from whom 3 MMD had been collected by the Licensee where the monthly billing cycle is in vogue:

(i) Additional Security Deposit shall not be collected till deposit held at credit falls short of the average bill amount corresponding to two months (2 MMD) in case of monthly billing and three months (3 MMD) in case of bi-monthly billing calculated based on the consumption in the preceding year.

(ii) If the deposit held is more than 120% of the average bill amount corresponding to two months (2 MMD) in case of monthly billing and three months (3 MMD) in case of bi-monthly billing of the preceding year, the Licensee shall refund excess deposit held over and above 120% of the average bill amount corresponding to two months (2 MMD) in case of monthly billing and three months (3 MMD) in case of bi-monthly billing of the preceding year, with in 12 months of the notification of these Regulations in the first instance and during the first quarter in the subsequent years, through adjustments in the energy bill of the Consumer. However, the limit of Rs.3000/- for refund of the excess Security Deposit as per clause 6.2 shall be adhered to.

- b) In case the Licensee fails to refund the excess Security Deposit as per Clause 6.2(a)(ii) of these Regulations, penal interest at 1 % per month on the amount of excess Security Deposit for actual days of delay shall be payable to the Consumer for the delay beyond the specified period.
- c) The bill amount for the purpose of these Regulations shall include only FC/DC plus EC and not any other charges like the Electricity Tax, arrears, audit short claim, interest, back billing charges, penal charges for excess consumption / demand.
- d) Additional security deposit shall be demanded when the deposit held falls short of the average bill amount corresponding to two months (2 MMD) in case of monthly billing and three months (3 MMD) in case of bi-monthly billing calculated based on the consumption in the preceding year. However, if the shortfall is less than Rs.200/- in case of LT categories and Rs.1000/- in respect of HT installations, the same need not be demanded.
- e) Where the Consumer is required to pay Additional Security Deposit, the Licensee shall serve a minimum 30 days' notice containing necessary particulars effective from 1st day of April of that year. The notice shall indicate that in case the ASD is not paid within 30 days, the installation shall be liable for disconnection. In case the Consumer has no objections on the amount demanded, the additional Security Deposit shall be paid within 30 days of the date of demand. In case the Consumer has any objections for the said demand, he may file his objections within 7 days from the date of receipt of such demand notice. The amount of ASD demanded may be revised based on the information, if any, furnished by the Consumer. The Licensee shall furnish all the necessary details to justify the claim of ASD within 7 days of the receipt of objections. In case of revised demand, the payment shall be made within 15 days of the date of revised demand.
- f) The refund / recovery amount shall be rounded off to nearest Rs.10/-.

6.3 Disconnection for non-payment of Security Deposit for the electricity supplied.

If a Consumer fails to pay the Security Deposit demanded by the Licensee in terms of clause 6.2 (d), the Licensee shall disconnect the power supply to the installation without further notice. Any arrears due on this account shall be deemed to be arrears of electricity charges.

7. Mode of Payment of Security Deposit

- i. ISD shall be paid in the form of cash / demand draft (DD)/Bank Guarantee drawn in favour of the Licensee.
- ii. ASD shall be paid in the form of cash / demand draft (DD) /Cheque /Bank Guarantee drawn in favour of the Licensee.

8. Interest on Security Deposit

The Licensee shall pay interest on Security Deposit (ISD, ASD & Meter Security Deposit) of the Consumer as specified under K.E.R.C. (Interest on Security Deposit) Regulations, 2005. However, this Clause is not applicable to the Security Deposit paid in the form of Bank Guarantee.

9. Refund of Security Deposit

The Licensee, on termination of the agreement by either party shall refund ISD, ASD & Meter Security Deposit (if any) after adjustment of dues, if any, within two months from the date of termination failing which interest at 1 % per month shall be payable on the ISD, ASD & Meter Security Deposit for the actual days of delay.

10. Miscellaneous

Power to remove difficulties

- (a) In case of any difficulty in giving effect to any of the provisions of these Regulations, the Commission may by general or special order, direct the Licensee to take suitable action, not being inconsistent with the provisions of the Electricity Act, 2003, which appears to it to be necessary or expedient for the purpose of removing the difficulty.
- (b) The Licensee may make an application to the Commission and seek suitable orders to remove any difficulties that may arise in implementation of these Regulations.

By the Order of the Commission

**Secretary,
Karnataka Electricity Regulatory Commission.**