

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**  
Thiruvananthapuram

**Petition No. TP - 35 of 2007**

January 31, 2008

Present :

Shri. C.Balakrishnan Chairman  
Shri C.Abdulla, Member  
Shri.M.P.Aiyappan, Member

KANAN DEVAN HILLS PLANTATIONS COMPANY PRIVATE LTD - Petitioner

**ORDER**

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on tariff for 2007-08 filed by Kanan Devan hills Plantations Company Private Ltd *vide* their letter No.A&L/131/2332/2007 dated 12-12-2007., heard the views of the petitioner and stakeholders at Commission's proceedings on 28<sup>th</sup> January 2008 and having considered other documents and materials on record passes the following order in exercise of the powers vested in it under the Electricity Act, 2003 in this behalf.

sd/-  
M.P.Aiyappan  
Member

sd/-  
C.Abdulla  
Member

sd/-  
C.Balakrishnan  
Chairman

Authenticated copy for issue

Sd/-  
Secretary-in-charge

## 1.1 PROCEDURAL HISTORY

The Order on ARR & ERC of M/s KDHPCPL for 2007-08 was issued by the Commission on 11<sup>th</sup> September 2007. Subsequently, KDHPCPL vide letter dated September 28, 2007 has pointed out discrepancies in the ARR & ERC Order. A meeting with KDHPCPL was held on the issue at the Commission's Office on 9-1-2008 and the Commission have sought details on the sales and revenue of KDHPCPL. In the mean time, the Commission has revised the Licensee's Bulk Tariff effective from 1-12-2007. As the power purchase cost of the Licensee has increased with effect from 1<sup>st</sup> December 2007 the ARR already approved on 11<sup>th</sup> September 2007 requires revision. Hence, M/s KDHPCPL filed a petition for revision of the tariff on 12-12-2007 applicable for retail sale of electricity and the Commission accepted the Petition as TP 35 on 19-12-2007. Public hearing on the petition was held at Munnar on 28<sup>th</sup> January 2008.

The Licensee has provided the clarifications sought by the Commission on revenue on 30<sup>th</sup> January 2008. In revising the order on the ARR & ERC for the FY 2007-08, the Commission has taken into consideration the materials filed by the Licensee the clarifications furnished by the Licensee in the meeting with the Commission.

## 1.2 Energy Sales

The licensee has filed the actual energy sales and revenue for the months from April 2007 to November 2007 in the case of LT consumers as follows.

Sl. No	Category	Energy consumption in kwh	Revenue-Rs
1.	LT-I Domestic	3953195	6027433
2	LT IV Industries	104252	474197
3	LT VI Non- Domestic	404481	3533015
4	LT VI Commercial	1193657	10991805
5	St Light	150675	567399
	Total	5806260	21593849

Further, Licensee has, furnished the consumption and revenue for the period up to Dec 2007 in the case of HT consumers and LT II Colonies. The details of consumption and

revenue worked out on the basis of actuals up to December 2007 and projected for the rest of the year on the basis of revenue and consumption for Dec 2007 are as follows.

	HT-I Industry	HT-IV Comm	HT-Tata Tea	LT II Colonies	Own consumption- HT
Energy April to November 07 (KWh)	1133190	453180	5767076	99252	11121645
Energy for Dec 07 (KWh)	101928	60294	678371	28324	1340892
Total for the year 2007-08 (KWh)	1438974	634062	7802189	184224	15144321
Energy Charge for the Year (Rs)	4316922	2028998	23406567	1040866	45432963
Demand Charge up to November 07 (Rs.)	1347766	440662	5016899	19900	7008876
Demand charge for Dec 07 (Rs.)	143808	52500	564578	3980	611847
Total for the year 2007-08 (Rs.)	1779190	598162	6710633	31840	8844417
TOU Charge up to November 07 (Rs.)	291586	145720	391248		1313029
TOU charge for Dec 07 (Rs.)	22323	21945	33357		100521
Total for the year (Rs.)	358555	211555	491319	0	1614592
Incentive Charge up to November 07 (Rs.)	24959	40957	139683		292826
Incentive charge for Dec 07 (Rs.)	2254	6429	14243		33945
Total for the year (Rs.)	31721	60244	182412	0	394661
Excess Demand charge up to Nov 07 (Rs.)	111982	26670			

The consumption and revenue of all the consumers including own factories are as follows.

Category	Consumption	
	-units	Revenue-Rs
HT-I Industrial	1438974	6534928
HT-I Industrial-Tata tea	7802189	30426107
HT-IV Commercial	634062	2805141
LT-I Domestic	5929792	9041149
LT-II Colonies	184224	1072706
LT-IV Industries	156378	711295
LT-VI Non Domestic	606721	5299522
LT-VII Commercial	1790485	16487707
Own Consumption	15144321	55497311
St Light	226012	851098
Total	33313158	128726964

### 1.3 AT&C Loss

The AT & C losses approved for the year 2006-07 was 19%. The loss projected by the Licensee for 2007-08 is 20.30%.

### 1.4 Power Purchase Cost

1.4.1 In the ARR submitted, Licensee has given an energy purchase requirement of 47.28 Million units during 2007-08. The total cost for power purchase during 2007-08 has been projected at Rs 1109.02 lakh. The tariff applicable for the power purchased from KSEB has been changed with effect from 1<sup>st</sup> December 2007. The revised demand and energy charges furnished by the Licensee for the period up to December 2007 and those projected on the basis of the figures for December 2007 are as follows.

Month	MD	Units	Demand charges-Rs	5% rebate	Total demand charges-Rs	Energy charges-Rs	5% rebate	Total energy charges-Rs	Total bill amt-Rs
4/07	6869	2899226	1751595	87580	1664015	6233336	311667	5921669	7585684
5/07	7175	3973697	1829625	91481	1738144	8543449	427172	8116276	9854420
6/07	7391	3558183	1884705	94235	1790470	7650093	382505	7267589	9058059
7/07	6085	3154230	1551675	77584	1474091	6781595	339080	6442515	7916606
8/07	7201	3108818	1836255	91813	1744442	6683959	334198	6349761	8094203
9/07	8191	3734088	2088705	104435	1984270	8028289	401414	7626875	9611144
10/07	8121	3139370	2070855	103543	1967312	6749646	337482	6412163	8379475
11/07	8204	3631051	2092020	104601	1987419	7806760	390338	7416422	9403841
12/07	6790	3678545	1731450	86573	1644878	7908872	395444	7513428	9158306
1/08	6790	3678545	1833300	91665	1741635	10483853	524193	9959661	11701296
2/08	6790	3678545	1833300	91665	1741635	10483853	524193	9959661	11701296
3/08	6790	3678545	1833300	91665	1741635	10483853	524193	9959661	11701296
Total		41912843	22336785	1116839	21219946	97837557	4891878	92945679	114165625

As the excess demand charges have been taken in revenue also, the excess demand charges payable to KSEB are accepted.

1.5 The Commission has not made any changes in expenses other than power purchase cost, as the same has been approved in the ARR & ERC Order earlier. Based on the changes in the power purchase cost, overall position regarding the Aggregate Revenue Requirement for 2007-08 would be as below:

Sl No	Particulars	As per ARR submitted by Licensee	Approved by Commission
1	Power Purchase Cost	1057.56	1170.12
2	Interest and finance charges	3.32	3.32
3	Depreciation	5.35	5.35
4	Employee Cost	19.87	19.87
5	Repairs & Maintenance cost	17.26	17.26
6	A &G Expenses	4.72	4.72
7	Duty on line loss	3.1	3.1
8	Licence Fee	0.27	0.27
9	Inspection charges	3.84	3.84
10	Total	1115.29	1227.85

#### 1.6 Revenue from sale of power

Actual Revenue from Tariff Income for the months up to November 2007 has been furnished by the Licensee in the case of LT consumers and up to December 2007 in the case of HT consumers and LT II Colonies. The consumption for the remaining period of the financial year has been estimated based on average values.

Category	Sales KWh	Revenue (Rs)
HT-I Industrial	1438974	6534928
HT-I Industrial-Tata tea	7802189	30426107
HT-IV Commercial	634062	2805141
LT-I Domestic	5929792	9041149
LT-II Colonies	184224	1072706
LT-IV Industries	156378	711295
LT-VI Non Domestic	606721	5299522
LT-VII Commercial	1790485	16487707
Own Consumption	15144321	55497311
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Total	33313158	128726964

The total revenue realisation from tariff is projected at Rs 1287.26 lakh on a total energy sale of 33.31 MU. The revenue from Non-Tariff income for 2007-08 has been projected at Rs 0.84 lakh..

## 1.7. Aggregate Revenue requirements for 2007-08

As discussed Commission approves an Aggregate Revenue Requirement of Rs12.27 .crore as against Rs 11.15 corer proposed by the Licensee. Expected Revenue from Charges including non-tariff income is Rs 12.88 crore. Hence, the surplus works out to Rs 61 lakh.

## 1.8. Tariff Petition

### 1.8.1 Brief history

Kanan Devan Hills Plantations Company Private Limited (KDHPCPL) vide letter No.A&L/131/2332/2007 dated 12-12-07 has filed tariff revision petition. Commission admitted the proposal of KDHPCPL vide its proceedings No KSERC/III/TP-35/2007 dated 28-12-2007 in its meeting held on 28-12-2007 and directed KDHPCPL to publish the same as provided in the KSERC (Tariff) Regulation, 2003, vide letter dated 10-01-2008. KDHPCPL published the same in one Malayalam daily, one Tamil daily and two English dailies for inviting comments from the Public.

### 1.8.2 Salient features of the KDHPCPL's Tariff Petition

A summary of the tariff revision petition submitted by the KDHPCPL is as follows:

Sl No	Tariff category	Existing Tariff		Proposed Tariff		Expected additional revenue	Increase
		Demand Charges	Energy Charges	Demand Charges	Energy Charges		
		Rs/kVA)	(Ps/kWh)	Rs/kVA)	(Ps/kWh)		
1	HT I - Industrial	270	300	286	423	114.40	33.98
2	HT IV Commercial	350	320	371	451	8.50	33.88
3	LT 1 (a).					38.77	28.19
	Upto-40 Units		115		147		
	41-80 Units		190		244		
	81-120Units		240		308		
	121-150Units		300		385		
	151-200 Units		365		468		
	201-300 Units		430		551		
	301-500 Units		530		679		
	501-Above Units		545		699		

4LT 1 (b).						
Upto-40 Units		155		219	0.01	41.29
41-80 Units		240		338		
81-120Units		280		395		
121-150Units		345		486		
151-200 Units		405		571		
201-300 Units		505		712		
301-Above Units.		630		888		
5LT II-Colonies	1990	565	2107	797	2.52	39.74
6LT IV-Industrial.	45	325	48	458	1.96	34.05
7LT VI (A)-Non Domestic.	40		42		1.82	34.34
Up to -500 Units		385		543		
Above-500 Units		520		733		
8LT VI (B)-Non Domestic.	55		58		3.37	35.50
Up to -500 Units		450		635		
Above-500 Units		590		832		
9LT VI (C)-Non Domestic.	170		180		7.81	36.80
Up to -500 Units		675		952		
Above-500 Units		860		1213		
10LT VII A-Commercial					38.08	37.05
-Single Phase	50		53			
-Double Phase	100		106			
Up to 100 kWh		565		797		
Up to 200 kWh		625		881		
Up to 300 kWh		695		980		
Up to 500 kWh		750		1058		
Above 500 kWh		825		1163		
11LT VII B-Commercial	30		32		0.36	39.98
Up to 100 kWh.		350		494		
Above 100 kWh		540		761		
12LT VII C-Commercial	80		85		1.98	34.43
Up to 1000 kWh.		440		620		
Above 1000 kWh		590		832		
13Panchayat Street Lights		328		462	2.76	40.85
<b>Total</b>					<b>222.31</b>	<b>33.50</b>

### 1.8.3 Public hearing

The Commission conducted Public hearing at Panchayat Hall , Munnar on 28-01-08 . Annexure I gives the list of the persons who attended the public hearing. During the

Public Hearing, Mr. P.M. Srikrishnan representing KDHPCPL, presented the salient features of the Tariff petition.

#### **1.8.4. Response from Stake holders**

In response to the notification issued in the press on 17th January, 2008 inviting objections / suggestions etc from the general public and consumers, in respect of the tariff petition of KDHPCPL a total of 4 written objections were received.

##### **1.8.4.1. Proposal Higher than that of KSEB**

Vyapari Vyvasayai Samithi, Munnar submitted that KDHPCPL has proposed a higher tariff than KSEB approved Tariff and hence Commission should not approve such a tariff. If the Company cannot manage with the tariff already in force, the Government should take over the power regulation with regard to Munnar Town

##### KDHPCPL's Response

KDHPCPL pointed out that the increase in Tariff became necessary because of the increase in Bulk Supply Tariff of KSEB. In consequence to the increase in demand and energy charges and to make good the deficit of Rs 56.06 Lakh as per ARR and ERC for the year 2007-08, the additional revenue required for a full year on the sale of electricity to be made would aggregate to Rs 320.34 Lakh

##### **1.8.4.2. KSEB tariff to be made applicable to Munnar area**

It was pointed out by most of the stake holders that the benefit of lower tariff enjoyed by consumers of KSEB in Kerala State should not be denied to people of Munnar area as otherwise it will be a discrimination among the consumers in the State of Kerala.

##### KDHPCPL's Response

KDHPCPL pointed out that the increase in Tariff became necessary because of the increase in Bulk Supply Tariff of KSEB. Once the increase in Bulk Supply Tariff is withdrawn no more tariff increase shall be required

#### 1.8.4.3 Inability to accept the additional proposed revenue of 40%

It was pointed out by Munnar Grama Panchayat that they cannot accept the proposal of KDHPCPL for additional proposed revenue of 40% and they are agreeable to pay only the existing tariff.

#### KHPCPL's Response

KDHPCPL pointed out that the increase in Tariff became necessary because of the increase in Bulk Supply Tariff of KSEB. Once the increase in Bulk Supply Tariff is withdrawn no more tariff increase shall be required

#### **1.8.4.5. Tariff Proposal was not published in news papers having wide circulation in the area.**

It was pointed out by many who attended the public hearing that the notice inviting response from stake holders was not published in news papers having wide circulation in the area.

#### KHPCPL's Response

KDHPCPL pointed out that this will be taken into account in future

#### **1.8.5. Commission's decision**

The Commission has considered the tariff petition and the objections filed by various stakeholders. Many objectors have pointed out that proposals of KDHPCPL are exorbitantly higher than KSEB Tariff. However, considering the need to rationalize the tariff, it is imperative that changes in tariff is required. Further, there is considerable cross subsidy existing at present, especially in LT commercial category, which has to be brought down in a phased manner. However, it is also difficult to enhance tariff instantly, which has to be only in stages. The Tariff policy has necessary directions for deciding the tariff in the longer horizon ie., by 2011. The Commission is of the view that stipulation has to be followed as a benchmark for arriving at a tariff in the longer horizon, at the same time minor deviations are required considering the practical implications. One of the direction of Government of Kerala under Sec 108 of the

Electricity Act, 2003 was not to disturb the cross subsidy ratio. The Commission is committed to adhere to the policy directions, while moving towards long term target, deviations are necessary in the short horizon to achieve the desired objective in a practical and sustainable manner. Since the Commission has to function within these framework, in the present order the Commission has strived to attain a balance of various issues.

In the present order the Commission has weighed the factors such as balancing among different category of consumers, minimum tariff increase for majority of consumers, reduction in cross subsidy among highly skewed category of consumers etc,. This is apparent in the case of LT and HT commercial category and the Commission wishes to reduce the disparity between HT and LT commercial rates. Hence Commission seeks to reduce 20ps per unit for LT VII- A and VII-B in the existing tariff and enhances 50 paise for HT III category.

It is a fact that industrial tariff is comparatively low and many categories of consumers claim to be 'industrial' to avail this benefit of lower tariff. Probably the reason could be the present higher tariff in the commercial category and comparatively lower tariff for industrial category. According to the Commission, definiteness is required on the definition of an industrial category. The Commission is of the view that, the same can be decided after a consultation process by inviting suggestions from the stakeholders. Further, there should also be an effort to bring down the substantial cross subsidies borne by the commercial consumers. The Commission has decided that the categories which are apparently commercial in nature, presently categorised in the industrial tariff to be shifted to appropriate commercial category. Thus, consumers charged under LT IV industrial tariff such as freezing plants, cold storage, audio/video/CD recording/duplication units, and marble cutting units are shifted to LT VII (A). The Commission has also recognized self financing educational institutions, seafood processing, milk chilling plants and call centres as new consumer groups and included them under appropriate Commercial Category (LT VII A / HT II).

Based on the above changes, the Commission estimates that the changes in tariff would result in decrease in revenue of Rs. 1.62 Lakh. However, for the financial year, the decrease would be applicable only for two months which would be Rs. 0.27 Lakh. This is against the revenue surplus of Rs.60.73 Lakh at the revised tariff applied for two months as estimated by the Commission as follows.

Category	Sales KWh	Revenue (Rs)
HT-I Industrial	1438974	6534928
HT-I Industrial-Tata tea	7802189	30426107
HT-IV Commercial/HT-III Commercial	634062	2857874
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Own Consumption	15144321	55497311
St Light	226012	851098
Total	33313158	128699865

The detailed schedule of terms and conditions of tariff for Retail supply to be effective from 1-02-2008 is given as schedule. The Commission directs that the schedule of terms and conditions shall be published by KDHPCPL as provided under Section 45(2) (b) of the Electricity Act 2003.

Approved for issue

Sd/-

Secretary-in-charge