

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**  
Thiruvananthapuram

**Petition No.TP- 21 of 2006**  
**ARR&ERC OF COCHIN SPECIAL ECONOMIC ZONE FOR FY 2006-07**

October 28 , 2006

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

COCHIN SPECIAL ECONOMIC ZONE : Petitioner  
Kakkanad,Kochi

**O R D E R**

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2006-07 filed by Cochin Special Economic Zone vide their letter No 3/15/2006:Infra: CSEZ/3592 dated 28-06-06 heard the views of the petitioner, Consumers and Stake holders in the Commission's Public hearing on 20<sup>th</sup> October 2006 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

Secretary (in charge)

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# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Preamble**

Cochin Special Economic Zone (hereinafter called CSEZ) is a Government owned Special Economic Zone under the Ministry of Commerce and Industry, Department of commerce, Government of India. The Zone comprises of 105 acres in Kakkanad in Kochi.

Distribution Licence was granted to CSEZ by Government of Kerala vide G.O (Rt) No.118/02/PD dated 20-06-02.

There are three categories of consumers in CSEZ viz. HT, LT and temporary. As on 31.3.06 there are 22 HT connections, 75 LT connections and 2 temporary connections.

CSEZ receives power at 110 KV from KSEB. The present contract demand is 7961 KVA.

### **1.2 Procedural History**

CSEZ filed a petition for ARR and ERC for the financial year 2006-07 on 28-06-06. The petition for ARR and ERC was placed before the Commission after initial scrutiny for the procedural requirements and the petition was admitted and registered as TP 21 of 2006 on 13-07-06.

Clarifications on the ARR & ERC were sought for from CSEZ vide Commission's letter dated 21<sup>st</sup> July 2006. Replies to the queries were submitted by CSEZ vide document dated 6<sup>th</sup> October 2006.

As the next step in processing the petition, the Commission held proceedings for public hearing at Kakkanad, Kochi on 20<sup>th</sup> October 2006.

Views expressed by stakeholders during public hearing are enclosed as Annexure I.

The Commission has thus ensured that the due process contemplated under the governing Act and Regulations were followed and adequate opportunity was provided at every stage to all individuals and organizations concerned, to express their views.

In finalizing the order on the ARR & ERC for the FY 2006-07, the Commission has taken into consideration the materials filed by the Licensee the clarifications

furnished by the Licensee in the meeting with the Commission, and further views expressed by the Stakeholders during the proceedings held for hearing their objections.

## Chapter II

### ENERGY REQUIREMENT PROJECTIONS FOR 2006-07

#### 2.1 Methodology

In estimating the demand and energy requirement for 2006-07, the Licensee had adopted a strategy that the sales will increase by 10% over the figures for 2005-06. The consumption for (energy sold) for 2005-06 is given as 243.9 lakh units, purchase for 2005-06 is given as 244.7 lakh units. The corresponding figures for 2006-07 are given as 292.6 lakh units, 293.7 lakh units.

#### 2.2 Projections by the Licensee

The energy requirement projections for 2006-07 made by Licensee is summarized below:

Sl. No	Category	Energy Sales in lakh kwh
1	HT	248.8
2	LT	43.2
3	Temporary Connections	0.60
	<b>GRAND TOTAL</b>	292.6

The Licensee has stated to assume a growth in consumption of 10% over the figures for 2005-06.

#### 2.3 COMMISSION'S OBSERVATIONS

*Licensee has assumed a growth of 10% in energy and demand. As the Licensee is new in the field, Commission does not propose any change in the estimates.*

## Chapter III

### A T & C LOSSES

#### 3.1 Introduction

The AT&C loss estimated for 2005-06 is 0.32% and that projected for 2006-07 is 0.37%.

#### 3.2 Commission's Observations

*The loss figure is very low compared to other Licensees. But Commission feels that when consumption grows by 10%, loss should not increase proportionally. As per the projection, increase in loss 15%. CSEZ should conduct energy audit immediately to find out ways to reduce losses. Faulty meter replacement should be done immediately. In the case of high value consumers, check meters should be installed outside the premises of the consumer. Commission does not propose any change in the loss estimates.*

## Chapter IV

### AGGREGATE REVENUE REQUIREMENT FOR 2006-07

#### 4.1 Introduction

The ARR& ERC submitted by the Licensee projected a total expenditure of Rs 10.51crores for 2006-07. The details in comparison to the provisions in respect of various items for 2005-06 are furnished below:

Rs. lakh

Sl No	Particulars	2005-06	2006-07
1	Power Purchase Cost	784.01	925.8
2	Interest and finance charges	-	-
3	Depreciation	33.32	34.63
4	Employee Cost	37.76	55.22
5	Repairs & Maintenance cost	2.6	6.0
6	A &G Expenses	16.42	30.16
7	Other expenses	-	-
8	<b>ARR</b>	<b>874</b>	<b>1051.81</b>

## 4.2 Purchase of Power

4.2.1 The ARR submitted by the Licensee has given an energy purchase requirement of 293.68 lakh units during 2006-07. This is based on a total energy sale of 293.7 lakh units and a loss of 0.37%. The cost of power purchase is given as 925.8 lakh. The same is accepted.

## 4.3 INTEREST AND FINANCE CHARGES

4.3.1 Licensee has given the projection for interest and finance charges as 'Nil'. The figures given in forms B and O are zero. Licensee has clarified that the expenses for capital are received as grant from Govt. of India.

### 4.3.2 Commission's Observations

*As the Licensee has no debt burden no interest charges are to be included in the ARR.*

## 4.4 DEPRECIATION

4.4.1 The Licensee has projected a provision of Rs 34.63 lakh for depreciation during the year 2006-07 based on the following rates.

Item	Depreciation %	Amount Rs. lakhs
Substation	3.6	17.39
11 KV works	2.57	12.22
Meterinf equipment	6	3.61
Total		34.63

### 4.4.2 Commission's Observations

***Licensee has taken a depreciation of 2.57% for 11 KV works. The depreciation allowed by CERC norm is 3.6% for 11 KV works. Also Licensee has included depreciation for substation equipments to be added in 2006-07. This cannot be allowed in the same year. The revised figures are***

Item	Depreciation %	Amount Rs. lakhs
Substation	3.6	17.39
11KV works	3.6	17.11
Metering equipments	6	3.61
Total		38.11

## **4.5 Employee Cost**

The ARR submitted by the Licensee projects an amount of Rs 55.22 lakh towards employee cost during 2006-07. The figure for 2005-06 is Rs 37.76 lakh only.

### **4.5.1 Commission's Observations**

*Licensee has clarified that M/s Kitco have been appointed as the O&M agency to operate the power distribution system. Kitco have enhanced their O&M charges from 30.35 lakh to 47.14 lakh for 2006-07. Commission does not propose any change in the estimates.*

## **4.6 Repair and Maintenance Charges**

**4.6.1** The ARR has projected a requirement of Rs 6 lakh towards Repair and Maintenance charges during the year 2006-07.

### **4.6.2 Commission's Observations**

*Licensee has clarified that the equipments were under warranty period during 2005-06. The requirement of funds for spares and maintenance has enhanced to Rs 5.00 lakh for 2006-07. Similarly 10% increase has been provided for expenditure for own power consumption. Commission does not propose any changes in the figures estimated.*

## **4.7 Administration & General Expenses**

**4.7.1** The Licensee has projected an amount of Rs 30.16 lakh towards A&G expenses for 2006-07 as compared to Rs 16.42 lakh estimated for 2005-06.

### **4.7.2 Commission's Observations**

*Licensee has clarified that the major increase in the estimates for 2006-07 over the figures for 2005-06 is due to provision for insurance which was not required during 2005-06 as the equipments were under warranty. Commission accepts the projection .*

## **4.8 Statutory Surplus/Return on Equity**

**4.8.1** Licensee has not provided any amount towards equity in the ARR.

#### 4.8.2 COMMISSION'S OBSERVATIONS

*As the Licensee has not made any investment on capital, no ROE is due to them.*

#### 4.9 Overall Position Regarding Aggregate Revenue Requirement For 2006-07

Based on the above discussion, the overall position regarding the Aggregate Revenue Requirement for 2006-07 would be as below:

Rs.lakh

Item	As per ARR of Licensee	As approved by KSERC
Power purchase	925.8	925.8
Interest charges	-	-
Depreciation	34.63	38.11
Employee Cost	55.22	55.22
Repair & Maintenance	6.0	6.0
Administration & General	30.16	30.16
Other Expenses	-	-
<b>ARR</b>	<b>1051.81</b>	<b>1055.29</b>

### Chapter V

#### REVENUE RECEIPTS DURING 2006-07

##### 5.1 Revenue from Tariff Income

Revenue for 2006-07 has been calculated based on sales estimated to increase by 10% from the figures for 2005-06. Category wise figures as follows.

Sl. No	Category	Revenue Rs lakh
1	HT	995.74
2	LT	173
3	Temporary Connections	6.81
	<b>GRAND TOTAL</b>	<b>1175.55</b>



## 5.2 Revenue from Non Tariff Income

The revenue from Non-Tariff income for 2006-07 has been projected at Rs 16lakh as compared to Rs 9.7 lakh during 2005-06.

## 5.3 Expected Revenue From Charges

Based on the above discussion, the Commission would place the expected revenue from charges for 2006-07 at Rs 11.9155 Crore as per the following break up.

	Rs.lakh
1 Income from Tariff	1175.55
2 Non- tariff Income	16.00

## Chapter VI

### COMMISSION'S ORDER ON THE ARR & ERC FOR THE YEAR 2006-07

#### 6.1 Aggregate Revenue Requirement for the Year 2006-07

As discussed in the Chapter IV on ARR for 2006-07, the Commission approves an Aggregate Revenue Requirement of Rs 1055.29 lakh as against Rs 1051.81 lakh proposed by the Licensee. :

#### 6.2 Expected Revenue From Charges

As discussed in the Chapter V on Revenue Receipts, the Commission has accepted the total expected revenue from charges at Rs 1195.55 lakh for 2006-07.

#### 6.3 Commission's Order

***On the above basis, the Commission hereby approves an Annual Aggregate Revenue Requirement of Rs 1055.29 lakh and Total Expected Revenue from Charges of Rs 1195.55 lakh for the year 2006-07.. Surplus is Rs136.26 lakh.***

## Chapter VII

### COMMISSION'S DIRECTIVES

1. On finalization of the accounts for the FY 2005-06, CSEZ shall submit the actual audited accounts for the electricity distribution business for the FY 2005-06 along with following details:
  - i. Actual monthly TOD meter recording of kWh, kVAh. kVARh, maximum demand, average PF and LF for normal, peak and off-peak period and similar recorded meter reading for self consumption
  - ii. Payments to the KSEB along with billing details.
  - iii. Actual distribution loss based on the metered figures.
2. Licensee shall conduct energy audit and take loss reduction measures to bring down AT&C losses.
3. Licensee shall file a petition for rationalization of tariff as envisaged in Tariff Policy. In the proposal 50% of the surplus should be used for tariff adjustment. It may be noted that the maximum and minimum Tariff payable by Consumer and shall be brought within  $\pm 20\%$  within a period of 5 years. Every year rationalization shall be done to achieve this end. Till finalisation of new Tariff, Licensee may continue the existing Tariff.

**Minutes of the Public hearing held min the Conference Hall of Cochin Special Economic Zone office at Kakkanad,Kochi on 20-10-06**

The meeting commenced at 11.15 hrs with Chairman Kerala State Electricity Regulatory Commission in the Chair. Chairman while welcoming the gathering expressed satisfaction over the fact that there was good representation from the side of consumers of CSEZ.

Chairman KSERC stated that the role of the Commission is to enforce transparency in the conduct of distribution business by the Licensees. Also Commission has to see that the tariff for electricity is a rationalized one. Hence participation of consumers in finalizing the ARR and ERC is important.

Chairman thereafter detailed the ARR and ERC filed by the Licensee and invited the consumers to give valuable suggestions on the ARR and ERC. Chairman further pointed out that the tariff part of Licensees was not touched and the Licensees were allowed to levy the same charges as adopted by KSEB. KSEB tariff was not touched upon for the last four years except for some minor changes. The Commission was trying to bring down the gap between ARR and ERC of KSEB so far. It was pointed out that CSEZ can have its own tariff and revenue surplus can be utilized for improving the quality of supply. Consumers have to come forward with suggestions to improve the functioning of the Licensee and can demand reduction in tariff.

CSEZ while replying to the comments of CM KSERC, explained the reasons for increase in power purchase cost, employee cost A&G expenses and non-tariff income.

Increase in power purchase cost was attributed to increase in demand. No provision for interest was given as there was no loan and no interest was due to consumers as prepaid metering system was followed. Increase in non-tariff income was attributed to collection of cost of Circuit Breakers provided in the case of high consumption group.

Consumers while reacting to the above presentations expressed that a reduction in tariff would be welcome. But they gave more importance to quality of power. They expressed satisfaction over the quality of power provide by the Licensee and are happy over the advance intimation given by Licensee for maintenance shutdowns. Most of the consumers were not having captive sets. Before taking over by the Licensee fluctuations were prevailing.

CSEZ while replying expressed that they may go in for LNG based captive setas once the LNG terminal materializes.

Consumers wanted more incentive for power factor improve nntand demanded incentive for LT consumers also.

Consumers wanted exemption from electricity duty. as exemption is given from all other duties in the case of Special Economic Zones.

Commission pointed out that Electricity Duty is not reflected in the ARR and hence is out of purview of the Commission.

Consumers wanted access to data from the TOD meters. CSEZ stated that consumers can have a separate meter to collect data for their use.

CSEZ pointed out the difficulty in implementing the regulation regarding maximum connected load for LT connection.

Commission expressed that the petition filed by the Licensee is under active consideration.

The meeting came to close at 12.10 hrs.