

KERALA STATE ELECTRICITY REGULATORY COMMISSION
Thiruvananthapuram

Petition No. TP- 28 of 2007
ARR&ERC OF COCHIN SPECIAL ECONOMIC ZONE FOR FY 2007-08

October 3, 2007

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

Cochin Special Economic Zone
Kakkanad, Kochi : Petitioner

O R D E R

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2007-08 filed by Cochin Special Economic Zone vide their letter No 3/29/2006:Infra: CSEZ/1993 dated 27th march 2007 heard the views of the petitioner in the Commission's proceedings on 20th 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

Sd/-
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 31.3.07 there are 24 HT connections, 88 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 2007-08 vide letter dated 27th March 2007. 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 28 of 2007.

As the next step in processing the petition, the Commission held proceedings for public hearing at Commission's office at Thiruvananthapuram on 2nd June 2007.

The proceedings of the public hearing were conducted smoothly.

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 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, and further views expressed by the Stakeholders during the proceedings held for hearing their objections.

Chapter II

ENERGY REQUIREMENT PROJECTIONS FOR 2007-08

2.1 Methodology

In estimating the demand and energy requirement for 2007-08, the Licensee had adopted a strategy that the sales will increase by 10% over the figures for 2006-07. The consumption for (energy sold) for 2006-07 is given as 325.6 lakh units, purchase for 2006-07 is given as 326.8 lakh units. The corresponding figures for 2007-08 are given as 358.1 lakh units, 359.5 lakh units.

2.2 Projections by the Licensee

The energy requirement projections for 2007-08 made by Licensee is summarized below:

Sl. No	Category	Energy Sales in lakh kwh
1	HT	302.4
2	LT	47.4
3	Temporary Connections	8.3
	GRAND TOTAL	358.1

The Licensee has stated to assume a growth in consumption of 10% over the figures for 2006-07.

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 2006-07 is 0.37% and that projected for 2007-08 is 0.41%.

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 11%. 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 2007-'08

4.1 Introduction

The ARR& ERC submitted by the Licensee projected a total expenditure of Rs 1244.48 lakh for 2007-08. The details in comparison to the provisions in respect of various items for 2006-07 are furnished below:

Rs. lakh

Sl No	Particulars	2006-07 (approved)	2007-08
1	Power Purchase Cost	925.8	1110.18
2	Interest and finance charges	-	-
3	Depreciation	38.11	34.63
4	Employee Cost	55.22	60.74
5	Repairs & Maintenance cost	6.0	7.48
6	A &G Expenses	30.16	31.45
7	ARR	1055.29	1244.48

4.2 Purchase of Power

4.2.1 The ARR submitted by the Licensee has given an energy purchase requirement of 359.5 lakh units during 2007-08. This is based on a total energy sale of 358.1 lakh units and a loss of 0.41 %. The cost of power purchase is given as 1110.18 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' in Form O.. 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 2007-08 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 2007-08. 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
Meterinf equipments	6	3.61
Total		38.11

4.5 Employee Cost

The ARR submitted by the Licensee projects an amount of Rs 60.74 lakh towards employee cost during 2007-08. The figure approved for 2006-07 is Rs 55.22 lakh.

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 47.14 lakh to 55.22 lakh for 2007-08. 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 7.48 lakh towards Repair and Maintenance charges during the year 2007-08.

4.6.2 COMMISSION'S OBSERVATIONS

Licensee has clarified that the equipments were under warranty period during 2006-07. The requirement of funds for spares and maintenance has enhanced to Rs 7.48 lakh for 2007-08. 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 31.45 lakh towards A&G expenses for 2007-08 as compared to Rs 30.16 lakh estimated for 2006-07.

4.7.2 COMMISSION'S OBSERVATIONS

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 2007-08

Based on the above discussion, the overall position regarding the Aggregate Revenue Requirement for 2007-08 would be as below:

Item	As per ARR of Licensee	As approved by KSERC
Power purchase	1110.18	1110.18
Interest charges	-	-
Depreciation	34.63	38.11
Employee Cost	60.74	60.74
Repair & Maintenance	7.48	7.48
Administration & General	31.45	31.45
ARR	1244.48	1247.96

Rs.lakh

CHAPTER V

REVENUE RECEIPTS DURING 2007-'08

5.1 Revenue from Tariff Income

Revenue for 2007-08 has been calculated based on sales estimated to increase by 10% from the figures for 2006-07. Category wise figures as follows.

Sl. No	Category	Revenue Rs lakh
1	HT	1211.00
2	LT	219.99
3	Temporary Connections	3.61
	GRAND TOTAL	1434.6

5.2 Revenue from Non Tariff Income

The revenue from Non-Tariff income for 2007-08 has been projected at Rs 16lakh as compared to Rs 15 lakh during 2006-07.

5.3 Expected Revenue From Charges

Based on the above discussion, the Commission would place the expected revenue from charges for 2007-08 at Rs 14.506 crore as per the following break up.

		Rs.lakh
1	Income from Tariff	1434.6
2	Non- tariff Income	16.00

CHAPTER VI

COMMISSION'S ORDER ON THE ARR & ERC FOR THE YEAR 2007-'08

6.1 Aggregate Revenue Requirement for the year 2007-'08

As discussed in the Chapter IV on ARR for 2007-08, the Commission approves an Aggregate Revenue Requirement of Rs 1247.96 lakh as against Rs 1244.48 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 1450.6 lakh for 2007-08.

6.3 COMMISSION'S ORDER

On the above basis, the Commission hereby approves an Annual Aggregate Revenue Requirement of Rs 1247.96 lakh and Total Expected Revenue from Charges of Rs 1450.6 lakh for the year 2007-08. Surplus is Rs201.64 lakh.

CHAPTER VII

COMMISSION'S DIRECTIVES

1. On finalization of the accounts for the FY 2006-07, CSEZ shall submit the actual audited accounts for the electricity distribution business.
2. Licensee shall conduct energy audit and take loss reduction measures to bring down AT&C losses.
3. Licensee should explore the possibility of availing loan from REC/PFC for capital works .
4. Licensee is to submit a Tariff proposal with in 30 days as envisaged in Tariff policy of Government of India utilizing the surplus for rationalisation of Tariff.
5. The revised performance standards may be submitted.