

KERALA STATE ELECTRICITY REGULATORY COMMISSION
Thiruvananthapuram

Petition No.TP-9 of 2005

ARR&ERC FOR FY 2005-06 of Rubber Park India (P) Ltd.

July 08, 2005

Present:

Shri.M.K.G.Pillai, Chairman

Shri.C.Balakrishnan, Member

Rubber Park India [P] Limited
Kochi

Petitioner

O R D E R

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2005-06 filed by Rubber Park India [P] Limited *vide* their letter No.RPIL/KSEB/2004-05/2625 dated March 15, 2005 and considered the comments of the KSEB on the petition, heard the views of the petitioner and the KSEB in the Commission's proceedings on 26.5.05 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.

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C.Balakrishnan
Member

M.K.G.Pillai
Chairman

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Sd/-
C.Balakrishnan
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M.K.G.Pillai
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Authenticated copy for issue

Secretary

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Order on Petition No.TP-9 of 2005

ARR&ERC FOR FY 2005-06 of Rubber Park India [P] Ltd.

1. Background

Government of Kerala had granted a licence for distribution of electricity to the Rubber Park India [P] Limited to supply electricity to various establishments in the park area, *vide* G.O. (P) No: 20/2003/PD dated 17th June 2003. Rubber Park India [P] Limited (RPIL) is a deemed distribution Licensee under the first proviso of Section 14 of Electricity Act, 2003.

Presently, the Rubber Park India [P] Limited receives electricity at 110 kV from the Kerala State Electricity Board (KSEB) and supply to the establishments/industrial units within the park area through prepaid meters at tariff rates of the KSEB. The present contract demand of 450 kVA is proposed to be raised to 4500 kVA during 2005-06.

Rubber Park India [P] Limited has six LT consumers, which includes four consumers under construction purpose category in FY2004-05. In FY 2005-06, the number of consumers is expected to grow to three HT Consumers and nine LT consumers, which includes four LT consumers under construction purpose category.

During the year 2004-05, Rubber Park India [P] Limited purchased 3,15,111 units of electrical energy from the KSEB and in turn supplied 1,04,127 units to the ultimate consumers. During the year 2005-06, the intake of energy is expected to increase to 7.31 MU with supply of 6.96 MU to the consumers. The difference between the intake and supply of energy accounts for selfconsumption of energy and distribution losses. The distribution loss as reported by RPIL is tabulated below:

	FY 2003-04 (Oct 2003-Mar 2004)	FY 2004-05	FY 2005-06
Energy Intake, Units	103,861	315,111	7,312,246
Energy Sold, Units	1,178	104,127	6,964,999
Self Consumption, Units	24,385	47,533	127,357
Distribution Loss, Units	78,298	163,451	219,890
Distribution Loss, as % to total intake	75.39%	51.87%	3.01%

The reason for the higher distribution loss during FY 2003-04 and FY 2005-06 has been attributed to the very low average loading of the 12.5 MVA, 110/11 k V Transformer at the intake point and station transformer and other 11/0.415 k V distribution transformers in the network.

2. ARR&ERC for the year 2005-06

The ARR&ERC for 2005-06 filed by Rubber Park India [P] Limited projected a revenue requirement of Rs.448.74 lakhs and revenue from charges of Rs.478.87 lakhs leaving a surplus of Rs.30.13 lakhs as per details given below: -

(Rs . Lakhs)

Sl.No	Particulars	2003-04 (Oct 2003- Mar 2005)	2004-05	2005-06
1	Power Purchase Cost	6.19	13.59	249.46
2	Interest charges	-	-	-
3	Depreciation	41.21	46.14	60.70
4	Employee cost	13.67	13.04	16.30
5	Repair & Maintenance Cost	2.63	7.14	8.80
6	Administration&General Expenses	8.18	12.03	15.04
7	Other Expenses	51.69	31.78	47.20
8	Gross Expenses	123.57	123.72	397.50
9	Less Expenses capitalized	-	-	-
10	Interest capitalised	-	-	-
11	ROE @6% on NFA	22.24	46.95	51.24
12	Aggregate Revenue Requirement	145.81	170.67	448.74
13	Revenue from Tariff	2.72	54.01	274.75
14	Non tariff Income	125.22	83.32	204.12
15	Total Revenue	127.94	137.33	478.87
16	Surplus/ (deficit)	(-17.87)	(-33.34)	30.13

The Commission sought the comments of the KSEB *vide* letter dated 30.3.2005. The KSEB *vide* letter No.KSEB/TRAC/T/SERC/Rubber Park /389, dated 3.5.05 submitted following comments.

- i. Discrepancies in power purchase data between KSEB records and the data filed by RPIL

- ii. RPIL is remitting the electricity duty directly to the Government from March, 2005 onwards.
- iii. The figures indicated against energy purchased, sold and selfconsumption are not consistent; and no meaningful inference can be drawn from these figures regarding the distribution loss

The Commission directed Rubber Park India [P] Limited to publish the copy of the ARR&ERC to the consumers, which was complied with by RPIL. However, the stakeholders have not responded to the ARR&ERC.

3. Proceedings of the Commission

In considering the ARR&ERC for 2005-06, the Commission held proceedings on 26th May 2005 at the Commission's Office at Thiruvananthapuram for hearing Rubber Park India [P] Limited, Kerala State Electricity Board and consumers availing supply from them, on the petition for ARR&ERC filed by Rubber Park India [P] Limited. Only Rubber Park India [P] Limited and KSEB attended the proceedings.

After hearing the views of RPIL and KSEB on the petition, the Commission directed Rubber Park India [P] Limited to modify the ARR&ERC for 2005-06 on the following lines.

- i. Depreciation shall be calculated as per the CERC guidelines.
- ii. The power purchase data shall be reconciled with the figures given by KSEB.
- iii. Distribution loss shall be substantiated with the transformer losses given in the transformer test certificates.
- iv. ROE at the rate of 14% will be allowed only on equity portion of the capital
- v. Self consumption shall be calculated as per HT-I tariff and included in the revenue from charges
- vi. The amount shown as "other debits" and non-tariff income in the ARR are not admissible, as the same are not applicable to the distribution business.

RPIL clarified that HT supply is given to consumers having connected load above 100kVA. However, based on consumer request, HT supply is given for connected load

above 50 kVA. Construction purpose is only temporary LT connection, which may be extended upto one year.

RPIL stated that once the objective of setting up the “Park” with the entire infrastructure is achieved, the main business in focus would be electricity distribution with water supply and effluent treating, testing and certification as other services in the business.

In accordance with the directives of the Commission, the Rubber Park India [P] Limited filed a revised ARR&ERC on June 18, 2005. The revised ARR&ERC projected a revenue requirement of Rs.428.29 Lakhs and income of Rs.487.91 Lakhs, leaving a surplus of Rs.59.62 lakhs during 2005-06, details of which are furnished below:-

(Rs.lakhs)

Sl.No	Particulars	2003-04	2004-05	2005-06
1	Power Purchase Cost	6.19	13.81	255.45
2	Interest charges	-	-	-
3	Depreciation	20.78	25.03	32.29
4	Employee cost	13.67	13.04	16.30
5	Repair & Maintenance Cost	2.63	7.14	8.80
6	Administration&General Expenses	8.18	12.03	15.04
7	Other Expenses	51.69	31.78	47.20
8	Gross Expenses	103.14	102.83	375.08
9	Less Expenses capitalized	-	-	-
10	Interest capitalised	-	-	-
11	ROE @6% on NFA	22.34	45.92	53.21
12	Aggregate Revenue Requirement	125.48	148.75	428.29
13	Revenue from Tariff	1.87	9.04	283.79
14	Non tariff Income	125.22	83.32	204.12
15	Total Revenue	127.09	92.36	487.91
16	Surplus /(deficit)	1.61	(-56.39)	59.62

The Commission noted the need for further revision of the ARR&ERC for 2005-06 on the following lines:

- i. Depreciation for a given year shall be allowed for the assets at the beginning of the year. Depreciation on the value of the assets added during the financial year will be allowed in the following year only.

- ii. The RPIL has proposed 6% ROE on the total capital base. Return of Equity is allowed for the equity portion of the assets/capital. On the basis of normative debt equity ratio of 70:30, 14% ROE is admissible on 30% of the net fixed assets.
- iii. As stated during the hearing, the revenue from other income and the expenses shown as “other debits” are not admissible in the ARR.

Accordingly, the ARR&ERC for the FY 2005-06 stand revised as below:

Rs.lakhs)

Sl.No	Particulars	2003-04	2004-05	2005-06
1	Power Purchase Cost	6.19	13.81	255.45
2	Interest charges	-	-	-
3	Depreciation	8.71	24.79	28.22
4	Employee cost	13.67	13.04	16.30
5	Repair & Maintenance Cost	2.63	7.14	8.80
6	Administration&General Expenses	8.18	12.03	15.04
7	Gross Expenses (total 1 to 7)	39.38	70.81	323.81
9	Less Expenses capitalized	-	-	-
10	Interest capitalised	-	-	-
11	ROE @14% on equity (30% of NFA)	13.55	32.21	36.14
12	Aggregate Revenue Requirement	52.93	103.12	359.95
13	Revenue from Tariff	1.87	9.04	283.79
14	Non tariff Income	-	-	-
15	Total Revenue	1.87	9.04	283.79
16	Revenue Gap	51.06	94.08	76.16

4. Commission’s Order on ARR&ERC for 2005-06

The Commission hereby approves an Aggregate Revenue Requirement of Rs.359.95 lakhs and total Expected Revenue from Charges of Rs.283.79 Lakhs leaving a revenue gap of Rs.76.16 Lakhs.

The “park” is in the process of accomplishing the infrastructure facilities and it is reported that by the next financial year RPIL would attract more business units and entrepreneurs so that there will be considerable improvement in the electrical distribution

business. Till then, the Commission directs Rubber Park India [P] Limited to absorb the revenue gap of Rs. 76.16 lakhs in their overall business operations.

The Commission approves the continuance of the existing tariffs and other charges till further orders.

5. Commission's Directives

1. On finalization of the accounts for the FY 2004-05, RPIL shall submit the actual audited accounts for the electricity distribution business for the FY 2004-05 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 selfconsumption and for energy sold to consumers, categorywise and voltagewise.
- ii. Monthly cyclic billing and collection data in respect of all categories of consumers.
- iii. Payments to KSEB along with billing details.
- iv. Actual distribution loss based on the metered figures.

2. The draft power purchase agreement initialed by KSEB and RPIL shall be submitted for Commission's approval.

3. RPIL shall make efforts to improve the Licensee business so that the revenue gap is fully eliminated.

