

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**  
Thiruvananthapuram

Present : Shri. K.J.Mathew, Chairman  
Shri C. Abdulla, Member  
Shri.M.P.Aiyappan, Member

**Petition No. TP.74/2010**

**In the matter of**  
**ARR&ERC OF COCHIN SPECIAL ECONOMIC ZONE FOR FY 2010-11**

**July 13, 2010**

**Cochin Special Economic Zone**  
**Kakkanad, Kochi** : **Petitioner**

**ORDER**

The Kerala State Electricity Regulatory Commission having scrutinized the Petition on ARR&ERC for 2010-11 filed by Cochin Special Economic Zone vide their letter No 3/30/09:Infra: CSEZ/9345 dated 30th December 2009 heard the views of the petitioner in the Commission's proceedings on 28<sup>th</sup> May 2010 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/-  
K.J.Mathew  
Chairman

Authenticated copy for issue

Sd/-  
Secretary

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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 of land 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 31.03. 2010 there are 30 HT connections, 96 LT connections and 5 temporary connections.

CSEZ receives power at 110 KV from KSEB. The present contract demand is 10000 KVA.

#### **1.2 Procedural History**

CSEZ filed a petition for ARR and ERC for the financial year 2010-11 vide letter dated 30<sup>th</sup> December 2010. 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 .74 of 2010.

As the next step in processing the petition, the Commission held proceedings for public hearing at Kakkanad on 28<sup>th</sup> May 2010.

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 2010-11, 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 2010-11

#### 2.1 Methodology

The energy estimated to be purchased from KSEB for the year 2009-10 was 58.5 MU. But the corresponding figure for 2010-11 was revised as 47.08 MU by the Licensee. This was taken up with the Licensee who has clarified that the projection for power purchase cost for 2009-10 at the time of submitting the ARR for 2009-10 was Rs 1750.22 lakh, The actual power purchase cost for 2009-10 has gone down to Rs 1421.69 lakh. Licensee has assumed 10% increase in power purchase cost over the figure for 2009-10 and has arrived at a figure of Rs 1563.86 lakh for the year 2010-11.

#### 2.2 Projections by the Licensee

The energy requirement projections for 2010-11 made by Licensee is summarized below:

	No of consumers	Consumption In MU
HT consumers	31	40.67
LT consumers	97	5.93
Temporary	05	0.0143
Total	133	46.6143

The Licensee has stated that they assumed a growth in consumption of 10% over the figures for 2009-10. The AT&C loss as per the estimates for 2010-11 is 0.989%. The corresponding loss approved for 2009-10 is 0.72%.

***Commission does not propose any change in the estimates for energy sales made by the Licensee.***

### CHAPTER III

#### A T & C LOSSES

As explained under 2.2 above, the loss is seen to have gone up from the estimated figure of 0.72% to 0.989%.

Though the loss figures are low compared to other Licensees, it is noted that the loss figure has gone up from the estimate for 2009-10. Licensee should conduct energy audit and try to bring down the loss to 0.70% by 2011-12.

### CHAPTER IV

#### AGGREGATE REVENUE REQUIREMENT FOR 2010-11

##### 4.1 Introduction

In the ARR& ERC submitted, the Licensee has projected a total expenditure of Rs.1725.76 lakh for the year 2010-11. The details in comparison with the corresponding items for 2009-10 are furnished below:

ITEM	Rs. lakh	
	Approved for 2009-10	Estimated for 2010-11
ROE	0	0
Power Purchase Cost	1679.12	1563.86
Interest and Finance charges	0	0
Depreciation	39.4	39.96
Employee Cost	61.58	83.74
Repairs and Maintenance	9.05	7.59
A&G Expenses	35.02	30.61
<b>Total</b>	<b>1824.17</b>	<b>1725.76</b>

## 4.2 Purchase of Power

4.2.1 As already discussed under 2.1 above, the energy estimated to be purchased from KSEB for the year 2009-10 was 58.5 MU. But the corresponding figure for 2010-11 was revised as 47.08 MU by the Licensee. Licensee has clarified that the projection of power purchase cost for 2009-10 at the time of submitting the ARR for 2009-10 was Rs 1750.22 lakh, But the actual power purchase cost for 2009-10 cost has gone down to Rs 1421.69 lakh. Licensee has assumed 10% increase in power purchase cost over the factual figure for 2009-10 and has arrived at a figure of Rs 1563.86 lakh for the year 2010-11.

As no changes in the loss figures are proposed, the estimate for purchase of power as proposed by the Licensee 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.

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

## 4.4 Depreciation

The approved figures for 2009-10 and those projected for 2010-11 are as follows.

	2009-10	2010-11
Substation	Rs 17.39 lakh	Rs 17.39 lakh
11 kV works	Rs 17.89 lakh	Rs 17.88 lakh
Metering equipments	Rs 4.12 lakh	Rs 4.68 lakh
Total	Rs 39.40 lakh	Rs 39.96 lakh

Marginal increase in depreciation under Metering Equipments is noted. Addition of assets under the same head is also noted. Hence the estimate for 2010-11 is accepted provisionally.

***No change is proposed.***

#### 4.5 Employee Cost

The approved figure for 2009-10 and those projected for 2010-11 are as follows.

Approved for 2009-10	Rs. 61.58 lakh
Projected for 2010-11	Rs. 83.74 lakh

Licensee has explained that actual employee cost for 2009-10 has gone up to 76.13 lakh from the estimate of Rs 61.58 lakh due to enhancement of salary and allowances of Central Govt employees on implementation of the 6<sup>th</sup> Pay Commission. Taking this as a reference the proposal for 2010-11 was made by adding 10%. The argument seems reasonable and is accepted.

***Commission does not propose any change in the figures estimated.***

#### 4.6 Repair and Maintenance Charges

The approved figure for 2009-10 and those projected for 2010-11 are as follows.

Approved for 2009-10	Rs. 9.05 lakh
Projected for 2010-11	Rs. 7.59 lakh

The cost is seen to have come down. Licensee has explained that the actual cost for 2009-10 has gone down to 6.9 lakh from the estimated cost of 9.05 lakh.. Taking this as a reference the proposal for 2010-11 was made by adding 10%. The explanation seems reasonable.

***Commission does not propose any change in the figures estimated.***

#### 4.7 Administration & General Expenses

The approved figure for 2009-10 and those projected for 2010-11 are as follows.

Approved 2009-10	Rs. 35.02 lakh
Projected for 2010-11	Rs. 30.610 lakh

Licensee has explained that the actual A&G expence for 2009-10 has gone down to 27.82 lakh from the estimated figure of Rs 35.02 lakh . Taking this as a reference the proposal for 2010-11 was made by adding 10%. The argument seems reasonable.

***Commission accepts the projections.***

#### 4.8 Statutory Surplus/Return On Equity

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

*As the Licensee has not made any claim on ROE, no amount under this head is due to them.*

#### 4.9 OVERALL POSITION REGARDING AGGREGATE REVENUE REQUIREMENT FOR 2010-11

Based on the above, the overall position regarding the Aggregate Revenue Requirement for 2010-11 would be as given below:

Item	2010-11 (approved) Rs lakh
Power purchase cost	1563.86
Interest and finance charges	0
Depreciation	39.96
Employee costs	83.74
Operation & Maintenance	7.59
A&G expenses	30.61
Total	1725.76

### CHAPTER V

#### REVENUE RECEIPTS DURING 2010-11

##### 5.1 Revenue from Tariff Income

Revenue for 2010-11 has been calculated based on sales, estimated to increase by 10% from the actual figures for 2009-10. Tariff applied is the tariff in force now.

Actual 2009-10	Rs. 1709.90 lakh
Projected for 2010-11	Rs. 1880.89 lakh



## **5.2 Revenue from Non Tariff Income**

*No income under this has been projected by the Licensee.*

## **5.3 Expected Revenue From Charges**

Based on the above discussion, the Commission would place the expected revenue from charges for 2010-11 at Rs 1880.89 lakh..

## **CHAPTER VI ARR & ERC Gap**

The surplus in ERC over ARR for the year 2010-11 is Rs 155.13 lakh.

Though there is surplus in ERC over ARR, no change in retail tariff is insisted now because no ROE or interest on debt is provided in the ARR. However a decision as to whether any change in retail tariff or bulk supply tariff of KSEB has to be done will be taken after finalization of the truing up petition submitted by the Licensee.

## **CHAPTER VII COMMISSION'S DIRECTIVES**

1. On finalization of the accounts for the FY 2010-11, Licensee 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 may utilize the surplus for reduction of AT & C loss and improving operational efficiency.
4. 5% of total sale of energy has to be purchased or generated from Renewable Sources or the licensee will have to purchase Renewable Energy Certificate through power exchange as directed by the State Agency to be designated by SERC.
5. Quarterly report on Standards of performance has to be submitted.

