KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

PRESENT: Sri. T.M.Manoharan, Chairman
Sri.P.Parameswaran, Member
Sri.Mathew George, Member

15th May 2013

Petition OP No.3 / 2013

In the matter of
ARR&ERC of Cochin Special Economic Zone for 2013-14

Cochin Special Economic Zone - Petitioner

ORDER

Background

1. The Cochin Special Economic Zone (hereinafter referred to as CSEZ or the Licensee) is a Government of India owned Special Economic Zone under the Ministry of Commerce and Industry, Government of India. The Cochin Special Economic Zone Authority (CSEZ) constituted under the SEZ Act 2005 is the developer of the Zone providing infrastructure and other related services within the Zone, which comprises 105 acres of land in Kakkanad, Kochi. Distribution license was granted to CSEZ by Government of Kerala vide G.O (Rt) No. 118/02/PD dated 20-06-02. As per the provisions of the Electricity Act 2003, CESZ has become a deemed licensee. The Government of India has invested about Rs.12.46 crore for commissioning the power distribution system in the zone and also provided Rs.2.28 crore as security deposit for purchase of power, which was returned by the Licensee.

2. The Licensee submitted its petition for the approval of ARR&ERC for 2013-14 on 11-12-2012. The petition was admitted as OP No.3 of 2013. In the petition, the Licensee has estimated the total revenue gap as Rs.348.82 lakhs for 2013-14 excluding return on investment. The total projected income from the sale of 60MU of electricity is Rs.2837.70 lakhs and the estimated expenditure is Rs.3306.52 lakhs. The non-tariff income is projected as Rs.120 lakhs. The Licensee has projected a return on investment of Rs.99.77 lakhs, and considering the same,

the revenue gap will be Rs.448.59 lakhs. Summary of the ARR&ERC petition of the Licensee is given below:

Summary of ARR&ERC of CSEZA for 2013-14

Particulars	2011-12	2012-13	2013-14
	Actual	Approved	Projection
Revenue			
Revenue from Sale of Power	2267.11	2371.03	2837.70
Non – Tariff Income	74.50	105.90	120.00
Total Revenue	**2341.61**	**2476.93**	**2957.70**
Expenses			
Purchase of Power	2078.79	2203.27	3063.60
Repairs & Maintenance	6.23	15.00	26.00
Employee costs	121.63	122.50	128.50
A&G expenses	26.21	32.16	40.10
Depreciation	40.63	54.24	48.32
Interest & Finance Charges	-	-	-
Total expenses	**2273.50**	**2427.17**	**3306.52**
Revenue Return	99.77	10.00	99.77
Aggregate Revenue Requirements	**2373.27**	**2437.17**	**3406.29**
Surplus (Deficit)	**(31.66)**	**39.76**	**(448.59)***

**The Revenue deficit shown by the Licensee excluding return of Rs.99.77 lakhs is Rs.348.82 lakh*

3. In the petition the Licensee has projected energy sales of 60MU for 2013-14, which is same as that approved for 2012-13. As part of the capital expenditure programme, the Licensee proposed works to the tune of Rs.108 lakhs, which include built in ducts for 11kV cables, purchase of two transformers, replacement of panel board, 110kV isolators etc. The Commission sought certain clarifications vide its letter dated 16-1-2013, which the Licensee furnished vide its letter dated 6-2-2013.

Hearing on the matter

4. The hearing on the petition was held on 12-2-2013 at the conference hall, CSEZA, Kakaknad. Dr. A.N. Safeena, Development Commissioner, Shri. R.C. Seetharaman, Chartered Accountant, Shri. Balachandran, ADC, and Shri. Krishna Varma, KITCO, presented the petition before the Commission and answered the queries of the Commission. The CSEZA has PPA for 10 MVA with KSEB and has requested for enhancement of contract demand by 2MVA in 2009. The present demand is about 15 MVA and the main consumers are at HT having about 83% of the total demand. The Deemed High Tension (DHT) consumers with 4% and the balance consists of LT Industrial (13%) and LT Commercial (less than 1%). The average cost of power purchase is about Rs.5.01 per unit, which

constitutes about 76% of the total expenses. The revenue deficit is about Rs.448.59 lakhs and the deficit can be adjusted by reduction in cost of power purchase to about Rs.3.48 per unit. The licensee proposed that the cost of meeting the RPO is about Rs.125.44 lakhs, and hence requested the Commission to exempt the license from meeting the RPO. The Authority has also installed a Solar PV module of 25kWp and proposing to enhance by 75kWp by at a cost of Rs.1.25 crore. Since, there is no tariff given for DHT consumers, the existing DHT consumers are billed at HT tariff, which is at a loss for the Licensee. The Licensee also proposes for revision of meter rent and monthly communication charges. In compliance to the directions of the Commission to appoint the O&M supply agency through competitive bidding, the Licensee has stated that in its 10th meeting of the CSEZA held on 1-3-2012, it has been resolved to invite expression of interest for operation, maintenance, and management of power distribution in CSEZ and also extend the term of KITCO for a further period till a new agency is appointed. Accordingly, existing rate paid for the O&M agency is considered for next year also.

5. Representing the consumers, Shri. A.R.Satheesh, Member, Managing Committee, CSEZ Industrial Association, stated that the distribution loss projected by the Licensee is 2%, which is best in the power sector. The average cost of power purchase projected is Rs.5.01/unit and the average realization is Rs.4.73/unit. Thus the contribution margin is -28 paise/unit. He also sought clarifications on distribution loss. The distribution loss in the Zone is always negative figure, showing that the Licensee is selling more power than that it has purchased. The excess energy billed to the consumers is about 11.36MU. He also pointed out that the realization of LT consumers are shown to be less than HT consumers. Further, power factor incentive is not taken into consideration and meter rent is proposed to be increased two fold. He further stated that the efficiency must be encouraged as the loss levels in the zone is lower which translate to lower burden to the consumers and higher revenue to the Government in terms of duty, cess etc., He also requested for introduction of KVAh billing for zone consumers instead of power factor incentives and penalties. Now all the restrictions imposed in the State are applicable to the consumers of CSEZ, though SEZ should ensure 100% power availability to its consumers. SEZ should avail power using short/medium term open access to ensure 100% power availability.

6. The objections/comments of KSEB was presented by Shri. B.Pradeep, Exe. Engineer. According to KSEB, there is no obligation cast upon the Board to

supply power to CSEZ, though the Board is considering the request of the CSEZA separately. As per the statements given by the Licensee, the consumer strength is not given properly. The capital expenditure has to be met from the depreciation reserve as per the approval of the Commission as ordered in the truing up order for 2006-07 to 2009-10. Further, depreciation may be allowed only for the assets in use. The argument of the Licensee that the BST is higher than the RST is not correct considering the surplus revenue of previous years held by the Licensee to the tune of Rs.1078 crore. Any deficit has to be met from this surplus held by the Licensee. The approved distribution loss for 2012-13 is 0.7%, so the distribution loss target for 2013-14 shall be only 0.5%. The complete impact of the tariff revision has not been reflected in the revenue projections of the Licensee. Hence the revenue projection has to be recast to reflect the impact of full year tariff revision. Shri. Pradeep requested that the surplus if any from the Licensee may be passed on to KSEB and its consumers through revision of the tariff.

Analysis and decision of the Commission

7. **Energy Sales:** The Licensee has projected total sales for the year 2013-14 as 60MU. The total energy requirement projected is 61.20MU. The Licensee has estimated the same sales as that approved for 2012-13. However, the Licensee has revised downwards the sales estimates for 2012-13. According to the Licensee, there is no scope for increase in sales for 2013-14 due to space constraints in the Zone. The increase in consumers and energy sales for the year are given below:

Consumer category	No. of consumers				Energy sales (MU)			
	2010-11	2011-12	2012-13 (Esti)	2013-14 (Proj)	2010-11	2011-12	2012-13 (Esti)	2013-14 (Proj)
(I) H T Consumers	26	25	25	25	48.87	49.08	47.16	50.00
(ii) D H T Consumers	4	4	4	3	1.49	1.97	2.24	2.33
(iii) L T Consumers	98	108	110	110	5.56	5.99	7.43	7.50
(iv) LT commercial	6	6	6	6	0.15	0.16	0.16	0.16
(iii) Temporary Connections	3	7	4	6	0.03	0.01	0.01	0.01
Total	**137**	**150**	**149**	**150**	56.10	**57.21**	**57.00**	**60.00**

8. As per the revised estimates, the energy sales for the current year will be lower than the approved sales, apparently due to power restrictions. As shown above, there is no substantial increase expected in the number of consumers. Hence, considering the past data, the Commission has arrived at a conclusion that the

projections of the Licensee is reasonable. Accordingly, energy sale as projected by the Licensee is accepted for 2013-14.

9. The Commission has directed the Licensee to provide the details of self consumption and the notional revenue booked for such consumption separately. During the hearing, the Licensee has given the details of self consumption. According to the Licensee, the own consumption is mainly on account of station auxiliaries, which is promptly recorded and revenue booked under LT IV tariff, and also charged under A&G expenses.

10. **Distribution Loss and Energy requirement:** The energy loss projected by the Licensee is around 1.96% for 2013-14. The distribution system has underground cabling and pre-paid meters of 0.5 accuracy class. However, it has been noticed that the loss levels in the system has been negative as the sales are higher than energy input as shown below:

Distribution Loss (Actual, Approved and Projected)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Actual	Actual	Actual	Actual	Actual	Approved	Projected
Energy sales (MU)	33.23	44.12	43.32	44.24	56.10	57.21	60.00	60.00
Energy Requirements (MU)	33.34	43.53	42.00	43.31	54.88	55.92	60.42	61.20
Distribution losses (%)	0.33%	-1.36%	-3.14%	-2.15%	-2.22%	-2.31%	0.70%	1.96%

11. In the previous year, the Commission has directed the Licensee to conduct a energy audit to find out the exact reason for the such peculiar phenomenon. The Licensee has undertaken an energy audit with the help of Kerala State Productivity Council and reported that the study could not reveal any substantial reasons. However, report indicates that there is no error in the reading at the KSEB input level. Whereas the consumer meters especially at the HT level, the error percentage ranges from -2.82% to +8.47% with an positive average of +2.34%. Hence, the details in the report clearly shows that the percentages of error in the meters of major consumers are on the positive side. Hence, the Licensee has to take immediate steps for calibration of meters/CT/PT to rectify the errors and ensure that the consumer meters are in line with the Central Electricity Authority (Installation and. Operation of Meters) Regulations, 2006. It is also directed that the Licensee may take necessary action for investigation of

other reasons if any on the discrepancy of metering data and to take corrective actions as required. The compliance has to be reported within three months.

12. Though in actual terms, the loss levels in the system is positive, the Commission is inclined to provide reasonable level of technical losses for the Licensee. In the petition, the Licensee claims that distribution loss will be about 1%. As per the energy audit study, the technical losses in the system is about 1.33%. Accordingly, the Commission allows 1% distribution loss for the year 2013-14 as shown below:

Distribution loss approved for 2013-14

	Projected	Approved
Energy Sales (MU)	60.00	60.00
Distribution loss (%)	1.96%	1.00%
Energy Purchase requirement (MU)	61.20	60.61

13. Fixing distribution loss at normative level may entail in some excess revenue to the Licensee due to metering discrepancies. Some of the consumers have suggested that the excess revenue on metering errors may be kept separately and has to be credited to the respective accounts, as and when the error is properly detected. The Commission is inclined to accept the suggestion. Hence it is directed that, the excess revenue if any generated through the discrepancy in metering data, may be kept as a separate fund and refund/adjustment if any required shall be made as per the orders of the Commission in this regard.

14. **AT&C Loss:** In the distribution business, distribution loss and AT&C loss are the common performance parameters employed. The collection efficiency reported by the Licensee is nearly 100% due to pre-paid meters. Hence, the A&TC loss target for 2013-14 is fixed as 1%.

15. **Cost of Power Purchase :** In the ARR, the Licensee has projected the cost of power purchase as Rs.3063.60 lakhs. The cost of power purchase was estimated considering the revised BST, which is effective from 1-7-2012. The Licensee has stated that Power Purchase Agreement with KSEB for supply of 10000 kVA has been executed on 31-12-2009. Application for enhancement of power allocation to 12000kVA is pending with KSEB. In the mean time another request for enhancement of contract demand to 15000kVA has been recently made. The contract demand in the zone in the recent period is about 12000kVA. The cost of power purchase estimated by the Licensee is as follows:

Estimated Cost of Power Purchase for 2013-14

	Proposed by Licensee
Units purchased (MU)	61.20
Fixed charges (Rs. lakhs)	432.00
Variable charges (Rs.lakhs)	2631.60
Total charges (Rs.lakhs)	3063.60
Average rate (Rs./kWh)	5.01

16. As per the revised principle of determination of differential BST, the rate applicable to the CSEZA is demand charges of Rs.300/kVA and energy charges of Rs.4.30 per unit. Based on the approved energy requirements and the BST approved as per Commission's order dated 25.07.2012, the approved cost of power purchase for 2013-14 is estimated as follows:

Approved cost of power purchase for 2013-14

	Approved by the Commission
Energy requirement (MU)	60.61
Contract Demand (kVA)	12000
Fixed Charges (Rs./kVA)	300
Total Fixed Charges (Rs.lakhs)	432.00
Variable Charges (Rs./kWh)	4.30
Total Variable Charges (Rs.lakhs)	2,606.23
Total Charges (Rs.lakhs)	**3,038.23**

17. **Interest and financing charges :** The Govt. of India met the entire investment on infrastructure for power distribution in CSEZ. The Licensee has not proposed any interest and financing charges for 2013-14.

18. **Depreciation:** The Licensee has claimed depreciation of Rs.48.32 lakhs for the year 2013-14, which is inclusive of depreciation on assets to be created during the year on a proportionate basis. The GFA at the beginning of the year 2013-14 proposed by the Licensee is Rs.1148.21 lakhs. The total addition to GFA proposed is Rs.108 lakhs. As such the depreciation allowed for the Licensees is based on the revised CERC norms applicable from 2009 onwards. As per CERC norms, depreciation for the first 12 years is based on the repayment requirement and once the repayment obligation is over, balance depreciation is to be proportionately spread over the rest of the useful life. The Licensee has to maintain the accounts inline with CERC norms. The Commission allows the depreciation to the Licensee as per the CERC norms applicable for the tariff

period 2009-14, on the condition that during the truing up process, the Licensee has to show that the accounts are maintained to reflect the depreciation as per the CERC norms. In its absence, the depreciation as per the CERC norms applicable for the period from 2004 - 2009 will only be allowed in the truing up.

19. In the Truing up of accounts for the years 2006-07 to 2009-10 the Commission has allowed depreciation and directed the Licensee to create a fund for depreciation reserve. The Licensee is directed to furnish the details of the fund for depreciation reserve created as per the earlier directions of this Commission. The Licensee is further directed to deposit the amount of depreciation now allowed by the Commission also in the said fund.

Approved Depreciation for 2013-14

	Average Value of Assets (2013-14) (Rs.lakhs)	Depreciation rate	Allowable depreciation (Rs.lakhs)
Substations	540.47	5.28%	28.54
11kV Works	525.29	5.28%	27.74
Distribution transformer	25	5.28%	1.32
Metering equipment	98.31	6.30%	6.19
Miscellaneous equipment	5.93	6.30%	0.37
Batteries	1.025	6.30%	0.06
Furniture & Fixtures	2.18	6.30%	0.14
Office Equipments	2.98	6.30%	0.19
Total	1201.19		64.55

20. The Commission in its order dated 13-4-2012 had decided that depreciation shall not be allowable on the assets crated out of contributions and grants. Accordingly, the depreciation is not available for assets created out of consumer contributions and grants. The Licensee has not given details in the petition on consumer contributions and assets created out of consumer contributions and grants. The Licensee has to provide such details as part of ARR&ERC petition and truing up petition now onwards. Based on the above, the Commission approves the depreciation as shown below subject to the fulfilment of conditions as explained. In the truing up process, the depreciation on assets created out of grants and consumer contribution will be deducted from the allowable depreciation.

21. **Employee Cost:** The employee cost proposed by the Licensee is Rs.128.50 lakhs as against Rs. 122.50 lakhs approved for the year 2012-13. The Licensee has given the actual employee costs for 2011-12 as Rs.121.63 lakhs mainly on account of O&M charges payable to M/s. KITCO Limited. The O&M charges to M/s KITCO is Rs.114.00 lakhs for 2013-14. The proportion of cost of CSEZ employee is taken as Rs.14.50 lakhs. The Licensee has stated that as per the directions issued by the Commission, CSEZ Authority in its 10th meeting held on 1-3-2012 resolved to invite 'expression of interest' for operation, maintenance and management of power distribution in CSEZ and also extend the term of M/s KITCO for a further period from 1-4-2012, till a new agency is appointed by inviting EOI. Accordingly, applications were invited for the new O&M agency, but only two offers were received. Hence, the existing rate being paid during 2012-13 is approved for the financial year 2013-14.

22. The Commission in the previous order has also expressed the view that O&M agencies are to be selected through transparent competitive bidding process. The progress reported is not satisfactory. The Licensee shall give necessary publicity and selection has to be made in time bound manner.

Employee Cost approved and actual over the years

	Approved (Rs.lakhs)	Annual increase (%)	Actual (Rs.lakhs)	Annual increase (%)
2006-07	54.10		54.10	
2007-08	59.58	10.1%	59.58	10.1%
2008-09	65.82	10.5%	65.82	10.5%
2009-10	91.54	39.1%	91.54	39.1%
2010-11	83.74	-8.5%	112.71	23.1%
2011-12	110.76	32.3%	121.63	7.9%
2012-13	122.50	10.6%		
2013-14 (projected)	128.50	4.9%		

23. The Licensee has proposed Rs.122.50 lakhs as the employee cost for 2012-13, which was approved. According to the Licensee, the revised estimate for 2012-13 is Rs. 128.50 lakhs which is the same amount projected for 2013-14 also. The increase projected over the amount approved for the year 2012-13 is about 4.9%. The Commission approves the increase projected by the Licensee.

24. Repair and Maintenance Expenses : The Licensee has projected Rs.26 lakhs for repair and maintenance expenses. As per the petition, R&M works include replacement of top of RMUs, other maintenance works of RMUs, repair of ACBs, plate earthing of RMUs, painting, etc., The R&M works proposed for the year is same as that proposed in the previous year, which show that the Licensee has not taken up the works proposed in the previous year. The Commission is of the view that the proposed R&M expenses are high considering the past trend. The past figures are as follows:

R&M Expenses over the Period from 2006-07

Year	R&M expense (Rs. lakhs)
2006-07	7.39
2007-08	4.77
2008-09	10.52
2009-10	9.80
2010-11 (Actual)	13.61
2011-12 (Actual)	6.23
2012-13 (approved)	15.00
2013-14 (projected)	26.00

25. As shown above, the cost of periodical maintenance of the Licensee is below Rs.10 lakhs, and is only Rs.6.23 lakhs in 2011-12. The Commission has allowed sufficiently higher provision for R&M expenses for the year 2012-13 compared to the previous year. The projected R&M expenses are about 73% more than the approved level in 2012-13. The Commission does not under estimate the need for proper R&M for maintaining supply to the consumers. Considering the above, the Commission approves an increase of 10% over the amount approved in 2012-13. Accordingly, the approved amount of R&M expenses is Rs.16.5 lakh, which is Rs.1.5 lakhs more than the approved amount in 2012-13. It is also brought to the notice of the Licensee that, R&M expenses of capital nature should be accounted under capital expenditure.

26. **Administration and General Expenses:** The Administration and General expenses proposed by the Licensee is Rs.40.10 lakhs for 2013-14 where as the actual expenses for 2011-12 is Rs.26.21 lakhs. The Licensee has included insurance charges of Rs.12 lakhs and a provision for energy audit studies and professional charges (Rs.3 lakhs), which inflated the A&G expenses.

27. The A&G expenses is a controllable item. The Licensee has made a provision for insurance charges in the earlier years also, but actually no expenditure was incurred. Now the CSEZ, having been notified as an Authority under the relevant

statute, insurance charges appear to be justifiable. In 2012-13, the Commission has allowed special provision of Rs.6 lakhs for energy audit studies and Rs.3 lakhs for legal expenses, which are not necessary since such items are not recurring in nature. Considering all the above, the Commission is of the view that A&G expenses have to be limited to the approved amounts for 2012-13, which will have sufficient margin for increase in expenses to cover inflation.

28. **Return on Equity:** The Licensee has claimed Rs.99.70 lakhs as return estimated based on 14% of the 30% of the funds invested. The Commission in the Truing up process in respect of licensee had considered the matter and allowed Rs.10 lakhs per year as surplus which is transferred to the reserves. The Commission hence allows an amount of Rs.10 lakhs as return for the Licensee.

29. **Aggregate Revenue Requirements:** Based on the above, the Aggregate Revenue Requirements proposed and approved for 2013-14 are as given below.

Aggregate Revenue Requirements Approved for 2013-14

Expenses	2009-10 (Trued Up) (Rs.lakhs)	2010-11 (Actuals) (Rs.lakhs)	2011-12 (Actuals) (Rs.lakhs)	2012-13 (Approved) (Rs.lakhs)	2013-14 (Projected) (Rs.lakhs)	2013-14 (Approved) (Rs.lakhs)
Purchase of power	1,451.95	1,944.04	2,078.79	2,203.27	3,063.60	3038.23
Repair & Maintenance	9.80	13.61	6.23	15.00	26.00	16.50
Employee costs	91.54	112.71	121.63	122.50	128.50	128.50
A&G expenses	11.47	14.31	26.21	32.16	40.10	32.16
Depreciation	39.94	39.93	40.63	54.24	48.32	64.55
Interest & Financing charges	-	-	-	-	-	00.00
Provisional Return	10.00	122.12	99.77	10.00	99.77	10.00
Total Expenses	**1,614.70**	**2,246.72**	**2,373.26**	**2,437.17**	**3,406.29**	**3289.94**

30. Thus, the approved expenses (ARR) for the Licensee for 2013-14 is Rs.3289.94 lakhs. Of this, the distribution cost is Rs.251.71 lakhs, which works out to about 42 paise per unit. The O&M expenses alone works out to 30 paise per unit.

31. **Revenue from Tariff :** The Licensee has originally projected Rs.2837.70 lakhs towards revenue from sale of power as shown below.

	(Rs in lakhs)											
Particulars	**For the Year 2011-12 (Actuals)**				**For the Year 2012-13 (Provisional)**				**For the year 2013-14 (Projected)**			
	No. of Installation consumers	*Energy sold MU*	*Revenue Rs.lakhs*	*Average Realisation Rs / kwh*	*No. of Installation consumers*	*Energy sold MU*	*Revenue Rs.lakhs*	*Average Realisation Rs / kwh*	*No. of Installation consumers*	*Energy sold MU*	*Revenue Rs.lakhs*	*Average Realisation Rs / kwh*
Consumer category wise												
(I) H T Consumers	25	49.08	1,946.60	3.97	25	47.16	2,263.62	4.80	25	50.00	2,400.00	4.80
(ii) D H T Consumers	4	1.97	85.56	4.34	4	2.24	112.20	5.01	3	2.33	116.50	5.00
(iii) L T Consumers	98	5.99	215.60	3.60	110	7.43	298.44	4.02	110	7.50	301.50	4.02
(iv) LT commercial	6	0.16	13.89	8.68	6	0.16	14.62	9.14	6	0.16	14.60	9.13
(iii) Temporary Connections	7	0.01	5.46	54.60	4	0.01	6.12	61.20	6	0.01	6.10	61.00
Total	**140**	**57.21**	**2,267.11**		**149**	**57.00**	**2695.00**		**150**	**60.00**	**2,838.70**	
Recovery of electricity duty and												
other State levies			81.93				82.50				86.40	
b) Power factor penalty			11.89				13.00				-	
c) Meter rent			1.54				1.50				3.00	
d) Fuel surcharge			72.13				96.83				-	
Total of IV			***167.49***				**111.33**				**3.00**	
Gross Revenue from sale of power			**2,434.60**				**2,888.83**				**2,928.10**	
Less:												
(I) Electricity duty payable			81.93				82.50				86.40	
(iv) SMS Charges(communication)			2.35				3.00				4.00	
(v) Power factor incentive			12.55				14.00				-	
(vi) fuel surcharge payable			70.66				96.83					
Total of VI			***167.49***				**196.33**				**90.40**	
Net Revenue from sale of power (V - VI)			**2,267.11**				**2,692.50**				**2,837.70**	

32. However, the Licensee has revised the revenue estimates, after the Commission has pointed out certain discrepancies. The Commission has sought the consumer classwise revenue projections from the Licensee. The Licensee has projected Rs.368.69 lakhs from fixed charges for the year 2013-14. However, no details on connected/billing demand was given. As per the truing up petitions and clarifications thereon filed by the Licensee, for the year 2010-11 and 2011-12, the fixed charges were Rs.492.44 lakhs and Rs.520.62 lakhs respectively as shown below.

Actual and Projected Fixed charges

Consumer category	2010-11 (Actual) Connected load/Billing demand (kW/kVA)	2010-11 (Actual) Revenue from Fixed Charges (Rs.lakhs)	2011-12 (Actual) Connected load/Billing demand (kW/kVA)	2011-12 (Actual) Revenue from Fixed Charges (Rs.lakhs)	2013-14 (projected) Connected load/Billing demand* (kW/kVA)	2013-14 (projected) Revenue from Fixed Charges (Rs.lakhs)
HT Consumers	12921	448.49	12854	474.20	9,722.22	350.00
DHT consumers	866	23.30	866	24.49	501.08	18.64
LT Industrial	3966	20.55	4082	20.92	6.25	0.05
LT Commercial	54	0.10	54	1.01	0.14	0.00
LT Temporary	12		13	-	0.01	0.00
	17819	492.44	17869	520.62	10,229.69	368.69

**Estimated from the revenue and existing fixed/demand charge*

33. Even after revision of tariff from July, 2012, the projected fixed charges were lower than the actuls in previous years. The Licensee in its letter dated 20-3-2013 has revised the revenue projections as shown below:

Tariff category	No. of consumers	Connected load / billing demand	Energy sales (lakh units)	Fixed / Demand charges (Rs./kW or Rs/kVA)	Energy charges (Rs./ kWh)	Total Fixed charges (Rs. lakhs)	Total energy charges (Rs. lakhs)	Total revenue (Rs. lakhs)	Av. Realisation
HT	26	10600	505	300/kVA	4.10	381.60	2,070.50	2,452.10	4.86
DHT	5	900	22	310/kVA	4.20	32.76	92.40	125.16	5.69
LT – Industrial	112	4200	72	60/KW	4.25	30.24	306.00	336.24	4.67
LT –commercial	6	65	1.6	120/KW	8.50	0.94	13.66	14.60	9.13
LT – Temp.	7	8	0.1	130/KW	13.50	0.00	1.35	6.10	61.00
Total						445.54	2,488.66	2,934.20	

34. The reason for lower fixed charges may be reduction in contract demand as one major consumer has closed down his unit. Hence, the Commission for the purpose of revenue projections, adopted revised estimates of the Licensee.

35. The Licensee has proposed Rs.3 lakhs from meter rent and Rs.4 lakhs towards communication charges (as expenses towards GSM charges). The Commission during the hearing sought the details of meter rent now being charged by the Licensee. The Licensee stated that at present meter rent is not charged from majority of consumers and the Licensee is also incurring expenses towards the communication network being used for the pre-payment meter facility. Hence it is proposed to realize the actual expenses from the consumers. The Licensee is not authorized to collect any amount from the consumers except with the

approval of the Commission. Accordingly, the Commission directs that the Licensee shall take formal approval before imposing any such charges on the consumers.

36. **Non-Tariff Revenue:** The Licensee has estimated Rs.120 lakhs as revenue from non-tariff, which includes interest of about Rs. 9 lakhs on security deposit with KSEB and interest of Rs.110 lakhs on fixed deposits. The Commission approves provisionally the non-tariff income projected by the license for the year 2013-14.

37. **Revenue Surplus/Gap:** The revenue gap proposed by the Licensee is Rs. 348.82 lakhs without return on equity and Rs. 448.59 lakhs with return on equity. After considering the materials and explanation by the Licensee, the Commission has arrived at a revenue gap of Rs.235.74 lakhs for the year 2013-14 as follows:

Approved ARR&ERC for 2013-14

Particulars	2013-14 (Projected) (Rs.lakhs)	2013-14 (Approved) (Rs.lakhs)
Expenses		
Purchase of power	3,063.60	3,038.23
R&M Expenses	26.00	16.50
Employee costs	128.50	128.50
A&G expenses	40.10	32.16
Depreciation	48.32	64.55
Interest & Financing charges	-	-
Provisional Return	99.77	10.00
Total Expenses	**3,406.29**	**3,289.94**
Revenue from sale of power	2,837.70	2,934.20
Non-Tariff Revenue	120.00	120.00
Total Revenue	**2,957.70**	**3,054.20**
Revenue Gap/Surplus	**(448.59)**	**(235.74)**

38. The KSEB has also filed petition for revision of bulk supply tariff along with the petition for revision of retail supply tariff. The Commission has already issued orders on 30.04.2013 revising the retail supply tariff applicable to all the consumers in the State including those of the CSEZ. The revised retail supply tariff is applicable to all consumers with effect from 1.05.2013 to 31.03.2014. The bulk supply tariff, effective from 1.05.2013 will be approved by the Commission after obtaining the details of Expected Revenue from Charges as per the revised retail supply tariff.

Capital expenditure:

39. The Licensee has proposed following capital expenditure worth Rs.108 lakh during (2012-13) and next financial year (2013-14) as additional & standby items:

    a. Providing Built-in ducts for 11kV cables: The Licensee proposes to extend the same to all areas, the cost of which is proposed as Rs.50 lakhs.
    b. Purchase of two spare 11kV/0.414kV distribution transformers. The proposed cost is Rs.50 lakhs
    c. Replacement of Panel Board indicating meters in the 11kV panel in the substation. The cost is proposed as Rs.1 lakh.
    d. Replacement of two sets of 110kV isolators which require replacement, the cost of which is proposed as Rs. 2 lakhs
    e. Additional capacitors for 11kV for power factor improvement. The cost is proposed as Rs.5 lakhs.

40. Some of the items are of routine nature. The Licensee has not provided any funding plan for the works proposed. The Licensee may carry out the capital expenditure as proposed and report the funding arrangements in due course.

RPO Obligation:

41. The Licensee while proposing the ARR&ERC has estimated an additional financial commitment towards meeting the Renewable Energy Purchase Obligation through purchase of Renewable Energy Certificates. The Licensee has already installed 25kWp solar powered street lighting system. There is also a plan to install additional 75kWp capacity solar system at a cost of Rs.156 lakhs.

42. Since all the small licensees are purchasing their entire requirement of power from KSEB, so far the Commission has not separately specified RPO obligation for the small licensees. The Commission is of the view that the efforts of licensees towards promotion of generation from renewable energy sources need to be encouraged.

Orders of the Commission

43. After an analysis of the ARR&ERC and the clarifications thereon submitted by the Licensee, the Commission approves the ARR of Rs.3289.94 lakhs and estimated revenue as Rs. 3054.20 lakhs, leaving a revenue gap of Rs.235.74 lakh for the year 2013-14 for M/s CSEZA as stated above. The Licensee shall limit the expenses at the approved level. The Retail Supply Tariffs effective from 1.7.2012 will continue till 30.4.2013. The Retail Supply Tariff as approved by the Commission in the order dated 30.4.2013 will be applicable to the consumers of the licensee also with effect from 1.5.2013. Orders on BST applicable with effect from 1.5.2013 will be issued separately.

44. .The Licensee shall take necessary action for investigation of reasons if any on the discrepancy of metering data and to take corrective actions. The compliance shall be reported within three months. It is further directed that, the excess revenue if any generated on account of discrepancy in metering data, shall be kept as a separate fund and refund/adjustment if any required shall be made as per the orders of the Commission.

45. The Licensee shall submit within one month, the proposal for revision of meter rent and communication charges proposed to be collected from the consumers

The petition is disposed of. Ordered accordingly.

Sd/-	**Sd/-**	**Sd/-**
P. Parameswaran **Member**	**Mathew George** **Member**	**T.M. Manoharan** **Chairman**

Approved for issue

Secretary