

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

PRESENT

Shri. T.M.Manoharan, Chairman
Shri. P. Parameswaran, Member
Shri. Mathew George, Member

O.P. No. 30/2013

28th February 2014

In the matter of: Approval of the Schedule of Rates for Distribution works in K.S.E. B., based on the uniform and basic rates of materials and labour.

ORDER

KSEB, vide letter no. KSEB/TRAC/Cost Data-Rev/R2/199 dt. 14-3-2013 had requested for the approval of estimates for the distribution works, revised in accordance with the PWD schedule of rates 2012, adopted by KSEB.

As per Regulation 7(1) of the Kerala Electricity Supply Code, 2005, read with Section 46 of the Electricity Act 2003, the Commission has authorised the Licensee to recover from the owner or occupier of any premises requiring supply, the expenses reasonably incurred by the Licensee for providing any electric line or electrical plant required specifically for the purpose of giving such supply. Vide Regulation 7(3) of the supply Code, 2005, the expenditure charged by the Licensee shall be based on the schedule of rates approved by the Commission and published by the Licensee annually; to be effective from the first day of April every year.

The Commission had earlier approved the estimate rates of distribution works on 26-7-2005 and these rates were adopted in KSEB for all distribution works w.e.f. 1-9-2005. Since the labour charges and cost of materials have increased considerably thereafter, KSEB had requested for approval of revised estimates vide their letter dt. 16-3-2009 and sanction for the same was accorded by the Commission on 27-8-2009, to be effective from 1-9-2009.

KSEB has submitted that the annual inflation was 12.32% during 2009-10, 10.53% in 2010-11, 9.04% in 2011-12 and 8.39% in 2012-13. The inflationary trend in the economy has its impact on all the input costs like labour and material. The Govt. of Kerala, after taking into account the prevailing cost of labour and of materials, has revised the PWD schedule of rates. This revised PWD Schedule of Rates 2012 has

already been adopted by KSEB. The cost of materials used in the distribution works has also increased considerably. Accordingly, K.S.E.B. has revised the estimates based on the revised cost data of materials and the PWD Schedule of Rates 2012 and resubmitted the same as a Petition on 16-5-2013 as per Regulation 24 of the KSERC (Conduct of Business) Regulations, 2003. The Petition was accompanied by the petition fee of Rs. 10,000/, as per Regulation 64 of the KSERC (Conduct of Business) Regulations, 2003.

The abstract of estimate consists of 6 parts.

1. Service Connection (31 items)
2. Distribution lines (21 items)
3. Transformers (5 items)
4. Street lights (2 items)
5. DTR Metering (1 item)
6. Ring Main Units (5 items)

The cost of works in the distribution sector, for which specific rates were not given, was proposed to be arrived as follows:

- I (a) Cost of materials as per cost data
(b) Storage, contingency & overhead charges @ 16% of (a)
(c) Transportation charges, if any.,
(d) Labour charges.
Total Cost of Work is { (a)+(b)+(c)+(d)}
- II. Supervision Charges @ 10% of I
Grand Total is (I +II) as above

In OP 32/12, the Commission has approved the rates of estimates for the installation of Ring Main Units which came into force with effect from 3-1-2013. These estimates are also revised on the basis of the revised PWD schedule of rates 2012. While approving the schedule of miscellaneous charges, the estimates for shifting of various kinds of energy meters in the consumers' premises were approved by the Commission. As the cost of work related to the shifting of meters in consumers' premises shall form part of the estimate rates of distribution works, instead of schedule of miscellaneous charges. This is also included in the estimate put up for approval {as item 31 (a to (e). Similarly, estimates for the works necessitated to be carried out in the cases of enhancement of connected load in the premises, are included as new items (as Item I. 25 to I. 30.)

The Petition was admitted as **OP 30/13**. Public hearing was held at the Court Room of the Commission on 17-12-13 after due publicity. KSEB presented the proposals for revision of schedule of Rates.

Sri. K. Anandakuttan Nair, Secretary, Electricity Consumers' Welfare Association, presented their views and suggestions in the matter. The following are the important observations made by him.

- i. The cost of the energy meter or part of it shall not be included in the estimate, while preparing the cost estimates.
- ii. DTR meters are provided for energy accounting and auditing by the licensee. As per Clause 6 (3) of the CEA (Installation and Operation of Meters) Regulations, 2006, such meters shall be owned by the licensee and hence the expenses for it shall not be realised from the applicants.
- iii. The obsolete and unnecessary materials like enamelled notice board, black tape, porcelain cut out, neutral link etc. which are never used by KSEB and included in the estimate are to be disallowed.
- iv. The provision in the proposals for arriving the cost of works (for which specific rates are not given) as the sum of cost of materials as per data + Storage, Contingency & Overhead charges at the rate of 16 % + transportation charges + labour charges and then adding 10% of this amount towards supervision charges is not authorised and will enable the licensee to act freely.
- v. It is alleged that "PTCC approval" has become an inherent item in the estimates, even if shifting of telegraphic utilities are not at all necessitated. Hence this may be reworded as "expenses for shifting telegraphic utilities, if required."
- vi. There is no provision for charging Centage charges at the rate of 16% on cost of materials. Storage is part of the business function of K.S.E.B. 'Contingency' and 'Overhead' can occur only on labour costs and not on cost of materials. Hence the charging of centage charges also cannot be allowed.
- vii. There is no provision to collect 10% of the cost of all works as supervision charges. Hence the flat 10% supervision charges may be disallowed.
- viii. For a permissible aerial length of 35M WP service, 5M sag allowance is not reasonable, especially when the aerial fuse is dispensed with. Only 10% additional length of WP wire is to be allowed for realisation.

K.S.E.B. In the revised submission, K.S.E.B. has deleted the materials which were not being procured such as board insulator, spacing cleat, wooden peg, cement, meter board, meter box etc. It was submitted that DTR metering is an integral part of the distribution system, though it is used for measuring and auditing. However, the cost of DTR metering has been deleted in the light of provisions in the Regulations and the cost of distribution boxes for housing DTR meter, bus bars, fuses is included in the revised estimates, which may be approved. KSEB has submitted that the expenditure towards tree cutting compensation and PTCC clearance has to be borne by the

applicant, being the costs reasonably incurred by the licensee for providing the supply. K.S.E.B has proposed with an option to consumer, for carrying out work of tree cutting by themselves or through K.S.E.B. Estimates have been submitted for both these options, i.e. with/without tree cutting compensation. PTCC clearance has to be obtained by K.S.E.B. and hence the expenditure towards the same has to be collected extra based on actuals.

Analysis and decision of the Commission

The Commission has carefully examined the proposals put up by KSEB Ltd and the objections raised by the representative of the consumer organisation on the matter. As per the Electricity Act 2003 the responsibility of providing energy meters in the consumer premises lies with the licensee. Hence Commission decides to disallow the centage charges associated with the energy meters.

It is seen that the KSEB Ltd had been collecting the cost of some miscellaneous items of materials such as black tape, meter boards etc from the consumers, which are not actually put into use anywhere. Cost of such materials shall not be collected from consumers. Providing Distribution Transformer Metering system is the function of the licensee for its own audit and loss computations. Hence cost of DTR Meters and associated equipments shall not be collected from the consumers.

There is no basis for collecting lump sum amounts towards Tree cutting costs, PTCC clearance etc. These expenditure shall be collected on the basis of actuals incurred at the time of execution of line extension works.

The Commission has also decided that the supervision charges shall be limited to Labour and Transportation charges only. The cost data has been modified with the above changes and approved by the Commission.

However where specific rates for any materials or for works are not available, the cost of works shall be arrived as follows:

1. (a) Cost of materials as per cost data
(b) Centage charge 16% of (a)
(c) Transportation charge, if any
(d) Labour charges
Total cost of work is [(a)+(b)+(c)+(d)]
2. Supervision charge 10% of transportation and labour charges
Grant Total is (1+2)

Orders of the Commission:

Cost data for the various works of KSEB Ltd, of which the expenditure has to be recovered from the beneficiaries under Regulation 33 of the Supply Code 2014, as given in Annexure I and Annexure II to this order are hereby approved. The new rates shall be effective from 01-04-2014.

The Petition is disposed of accordingly.

Sd/-

**P. Parameswaran
Member**

Sd/-

**Mathew George
Member**

Sd/-

**T.M. Manoharan
Chairman**

Approved for issue

Sd/-

Secretary