

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

Petition No. : OP 9/2014

In the matter of : Proposals for revision of Bulk Supply Tariff (BST) applicable to Licensees

Petitioner : The Chairman and Managing Director,  
Kerala State Electricity Board Limited (KSEBL)

**PRESENT : Shri. T.M.Manoharan, Chairman  
Shri. Mathew George, Member**

**ORDER DATED 25<sup>th</sup> SEPTEMBER, 2014**

**Background**

1. Kerala State Electricity Board Limited (*hereinafter referred to as KSEBL*) in accordance with the KSERC (Tariff) Regulations 2003, filed the petition dated 15-5-2014 for approval of Aggregate Revenue Requirements (ARR) and Expected Revenue from Charges (ERC) for Financial Year (FY) 2014-15 before the Commission on 15-5-2014. The petition inter-alia contained proposals for revision of tariff for all categories of consumers as well as for the bulk supply to other licensees. The Commission in its order dated 14-8-2014, had issued orders on the petition for approval of ARR&ERC and retail tariff applicable to all the consumers in the State. In the said order, the Commission had mentioned that revision of BST would be issued separately and the revised BST will be applicable from 16-8-014, considering the fact that the retail supply tariffs for all licensees have been revised with effect from 16-8-2014 and additional revenue accrue to the licensees from 16-8-2014. The matter is accordingly examined and decided as detailed in the following paragraphs:
2. The Commission since the tariff order 2012, effective from July 2012, had followed the principle of determination of differential bulk supply tariff (BST) considering the revenue surplus/gap of each licensee after providing for the distribution cost and provisional return for each of them. The existing BSTs applicable to licensees are as shown below:

**Table 1. Details of Existing Bulk Supply Tariff**

Sl No	Licensee	Existing bulk supply tariff	
		Demand charge	Energy charge
		(Rs/ kVA/ month)	(Rs/ kWh)
1	KPUPL	300	4.75
2	CSEZ	300	4.40
3	RPL	300	4.55
4	Technopark	300	4.85
5	CPT	300	5.05
6	Thrissur Corporation	300	4.40
7	KDHPCL	300	3.80
8	MES	350	4.45
9	Pudusserry Electricity Department	350	4.45
10	Karnataka	350	4.45
11	Infopark	300	4.85

3. KSEBL in their petition had proposed an increase of about Rs.50 per kVA in demand charges and an increase of paise 90 to 105 in the energy charges for BST. The particulars of proposal of KSEBL on bulk supply tariff applicable to the licensees in Kerala including MES, Electricity Department, Pudusserry and Karnataka State are as given below:

**Table 2. Proposed Additional Revenue Expected by KSEBL for full year**

Licensee	Revenue to KSEBL from Existing BST			BST proposed by KSEBL		Revenue to KSEBL from Proposed BST			Proposed Increase in revenue to KSEBL
	Demand charge	Energy charge	Total	Demand charge	Energy charge	Demand charge	Energy charge	Total	
	(Rs.Cr)	(Rs.Cr)	(Rs.Cr)	(Rs/ kWh)	(Rs/ kWh)	(Rs.Cr)	(Rs.Cr)	(Rs.Cr)	
KPUPL	5.17	31.73	36.90	350	5.70	6.03	38.08	44.11	7.21
CSEZ	4.50	23.51	28.01	350	5.30	5.25	28.32	33.57	5.56
RPL	2.16	12.74	14.90	350	5.50	2.52	15.40	17.92	3.02
Technopark	10.96	31.04	42.00	350	5.85	12.79	37.44	50.23	8.23
CPT	3.78	17.17	20.95	350	6.10	4.41	20.74	25.15	4.20
Thrissur Corporation	12.24	57.24	69.48	350	5.35	14.28	69.60	83.88	14.40
KDHPCL	3.06	14.02	17.08	350	4.75	3.57	17.53	21.10	4.02
MES	6.43	29.17	35.60	400	5.40	7.34	35.40	42.74	7.15

Pudusserry	3.15	18.25	21.40	400	5.40	3.60	22.14	25.74	4.35
Karnataka	0.11	0.23	0.34	400	5.40	0.13	0.28	0.41	0.07
Infopark	0.22	3.31	3.52	350	5.85	0.25	3.99	4.24	0.72
Total	51.78	238.41	290.19			60.18	288.91	349.09	58.90

4. As shown above, the additional revenue expected by KSEBL is about Rs.59 crore on a full year basis. Since the Commission has been following the policy of uniform retail supply tariff for all licensees, the determination of BST for the licensee is based on residual revenue after meeting the distribution costs of such licensees. Since there is an increase in revenue proportionate to the increase in retail supply tariff effective from 16-8-2014, there is a necessity to revise the BST in tune with the additional revenue due from the increase in retail tariff.

#### **Response of licensees:**

5. M/s Rubber Park India Limited, submitted that the margin between existing BST and the retail supply tariff of HT and LT industrial consumers is very low and the distribution costs could not be met with the margin. The increase in BST now proposed will worsen the situation. As per the truing up orders for 2010-11 and 2011-12, RPL had deficit and the Commission is only allowing provisional nominal RoE for the business. Hence any deficit in revenue will seriously affect the financial position and thus, according to the licensee, BST should be fixed 20% lower than HT-I industrial tariff.
6. M/s Infopark submitted that the IT industries in the State require quality power at reasonable costs. However, the tariff in the recent past has increased considerably owing to the past two tariff revisions. Unless the quality power is available at reasonable costs, the development of IT industry will be adversely affected. The approved revenue gap of Infopark for the year is Rs. 10.04 lakhs which will increase to Rs.25.78 lakhs considering the proposal of the KSEBL. The proposed BST is higher than the retail supply tariff of HT industrial category, which render the operations of the licensee unviable. Hence they requested that while fixing BST, Commission may consider the viability of the operations of the licensee.
7. M/s Technopark submitted that the proposed BST will increase the power purchase cost by Rs.894 lakhs, whereas the increase in revenue as per the retail

tariff proposed by KSEBL will amount to only Rs.663 lakhs. Hence, they requested to adjust the BST in such a way that it will cover the revenue gap.

8. M/s Cochin Port Trust submitted that the increase in BST proposed by KSEBL is unprecedented with increase in energy charges by 105 paise and demand charges by Rs.50/kVA. The major chunk of consumers of CPT is HTIV and LT VIIA category. The increase proposed by KSEBL for these categories was only 5.7%, whereas the BST is proposed to increase by 20%. As per the proposal of KSEBL, the increase in revenue from retail tariff is Rs.189.37 lakhs whereas the increase in power purchase cost due to increase in BST is Rs.396.29 lakhs. Hence M/s CPT requested that in order to ensure the financial viability, the existing BST is to be continued.
9. M/s KDHPCL after evaluating the proposal of KSEBL on retail supply and BST submitted that if the retail supply tariff is implemented as proposed by KSEBL, the additional revenue will be Rs.366.86 lakhs and after adjusting the revenue gap of Rs.26.24lakhs, the net increase will be Rs.340.62 lakhs. With surplus revenue, the BST can be increased from Rs.3.80/kWh to Rs.4.50/kWh and demand charges from Rs.300/kVA to Rs.350/kVA on a full year basis. M/s KDHPCL further pointed out that the in the petition M/s KSEBL has mentioned the contract demand of M/s KDHPCL as 8.5MVA, where as the it is only 7MVA. Further as per the retail tariff proposed by KSEBL, the BST that can be increased to a maximum of Rs.4.50/kWh, whereas the KSEBL has proposed Rs.4.75/kWh as energy charges for BST.

### **Analysis and decision of the Commission**

10. The Commission has approved the ARR&ERC of small licensees for the year 2014-15. The details of approved ARR&ERC of the licensees are given below:

**Table. 3. Details of Approved ARR of licensees for 2014-15**

	Name of the licensee	Date of Order
1	KPUPL	OP NO. 34/2014 dated 12-5-2014
2	CSEZ	OP NO. 40/2013 dated 30-4-2014
3	RPL	OP No. 35/2014 dated 22-4-2014
4	Technopark	OP No.11/2014 dated 28-8-2014
5	Infopark	OP NO. 36/2014 dated 23-4-2014
6	Cochin Port Trust	OP NO. 1/2014 dated 19-5-2014
7	Thrissur Corporation	OP No. 32/2014 dated 19-5-2014
8	KDHPCL	OP NO. 37/2013 dated 7/5/2014

11. The revenue surplus and gap for the licensees arrived at by the Commission based on the orders mentioned above, for 2014-15 are as shown below:

**Table 4. Approved Revenue Surplus/ Gap for 2014-15**

Licensees	Revenue from Sale of Power	Non – Tariff Income	Total Revenue	Power purchase cost	Distribution Cost	Total expenses	Revenue Surplus(+)/ gap(-) Approved
	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh	Rs.lakh
	(1)	(2)	(3)=(1)+(2)	(4)	(5)	(6)=(4)+(5)	(7)=(3)-(6)
<i>KPUPL</i>	3,985.52	45.05	4,030.57	3,756.67	194.85	3,951.52	79.05
<i>CSEZ</i>	3,118.69	129.96	3,248.65	2,851.00	253.56	3,104.56	144.09
<i>RPL</i>	1,556.43	13.86	1,570.29	1,563.73	115.25	1,678.98	-108.69
<i>Technopark</i>	4,198.75	46.97	4,245.72	4,356.94	562.33	4,919.27	-673.55
<i>Infopark</i>	524.24	-	524.24	500.36	33.92	534.28	-10.04
<i>CPT</i>	2,644.69	23.92	2,668.61	1,963.90	584.59	2,548.49	120.12
<i>Thrissur Corporation</i>	8,866.26	572.84	9,439.10	7,320.92	1,473.60	8,794.52	644.58
<i>KDHPCL</i>	1,994.02	8.46	2,002.48	1841.15	144.62	1985.77	16.71

12. M/s. KDHPCL in its letter dated 9-6-2014, pointed out that the revenue surplus of Rs.16.71 lakhs approved by the Commission is in fact based on underestimation of power purchase cost for the year by Rs.42.95 lakhs. The power purchase cost was estimated at an energy charges of Rs.3.70 per unit where as the existing approved rate is Rs.3.80 per kWh. The Commission has examined the matter. As pointed out by M/s KDHPCL, the power purchase cost was estimated for the year 2014-15 at the rate of Rs.3.70 per unit instead of Rs.3.80 per unit. Accordingly, the same has been corrected as per order dated 24-9-2014 and thus there would be a revenue deficit of Rs.26.24 lakhs, instead of a surplus of Rs.16.71 lakh approved in the Order No. OP 37/2013 dated 7-5-2014.

13. The Commission in its order dated 14-8-2014 had approved the retail supply tariff applicable to all the consumers in the State. The Commission has also made re-categorisation of certain consumer categories. The Commission vide letter dated 20-8-2014 addressed to the small licensees, sought the details of estimation of revenue from revised retail supply tariff. The details given by the licensees are as shown below:

1	KPUPL	Letter NO.KINESCO/KSERC/ARR&ERC/2014/85 dated 26-8-2014
2	CSEZ	Email dated 26-8-2014
3	RPL	Letter No.RP/E/02/10036 dated 22-8-2014
4	Technopark	Letter No. ETPK/PH-1/KSERC/2014-15/437 dated 29-8-2014
5	Infopark	Letter No. Infopark/KSERC/1888/2014 dated 23-8-2014
6	Cochin Port Trust	Letter No.FD/Costing/tariff order 2014-15/2014 dated 29-8-2014
7	Thrissur Corporation	Letter No.KSERC-4387/14 dated 28-8-2014
8	KDHPCL	Letter No. Nil dated 25-8-2014

14.As per the information furnished by the licenses, the revenue from sale of power to their consumers at revised tariff if applicable for a full year is as shown below:

**Table 5. Revenue from Revised Tariff for Full Year (2014-15) projected by the licensees**

Particulars	Energy Sales (MU)	Revenue from pre-revised Tariff (Rs.lakhs)	Revenue from Revised Tariff (Rs.lakhs)
KPUPL	66.81	3,985.52	4,239.60
CSEZ	55.22	3,118.69	3,382.54
RPL	28.58	1,556.43	1,727.72
Technopark	68.53	4,198.75	4,772.41
Infopark	8.07	524.24	597.53
Cochin Port Trust	32.41	2,644.69	2,686.24
Thrissur Corporation	130.11	8,866.26	9,263.12
KDHPCL	36.90	1,994.02	2,258.79

15.In this context, the Commission has noted that the revised revenue projections of the licensees may not be accurate as there are changes in consumers in some of the consumer categories in addition to the increase in tariff. All the changes may not be fully reflected in the revenue estimates given by the licensees at short notice. The Commission further noted that the projections of revenue from tariff of M/s Technopark is not in line with the approved tariff of the Commission in the case of deemed HT category. The licensee has since corrected the estimates subsequently. In this context the Commission also notes that there is under estimation of revenue from existing tariff in the approved ARR in the case of M/s Technopark, which is taken into consideration while revising the BST.

16. The total revenue to the licensees at pre-revised tariffs is about Rs.269 crore whereas the revenue at revised tariffs is about Rs.289 crore. The increase in revenue projected for the full year of 2014-15 is about Rs.20 crore. As against this, the total net revenue surplus for the year 2014-15 as approved by the Commission for these licensees taken together is Rs. 1.63 crore. Thus on a full year basis the additional revenue for the licensees is about Rs.22 crore, which can be translated to increase in BST on a full year basis. Since the revised tariff is effective from 16-8-2014, the increase in revenue will only be proportionate. Thus, the revenue at the pre-revised tariffs was available for 4 ½ months and revenue at the revised tariffs will be available for 7 ½ months in the year 2014-15. Existing and revised power purchase cost are also applicable in the same manner. In order to estimate the revised power purchase cost, the balance amount after taking into consideration revenue available from revised retail supply tariff and revenue gap/surplus approved for the licensees for the year 2014-15 are to be considered. Accordingly, the balance revenue available for power purchase for remaining 7 ½ months is estimated as shown below:

**Table 6. Estimation of revenue for 2014-15**

Licensees	Estimated Revenue for 2014-15			
	Proportionate Revenue at Existing Tariff (1-4-2014 to 15-8-2014)	Proportionate Revenue at Revised Tariff for 16-8-2014 to 31-3-2015	Approved Non Tariff Income for 2014-15	Total Revenue for the year for 2014-15
	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
KPUPL	1,494.57	2,649.75	45.05	4,189.37
CSEZ	1,169.51	2,114.09	129.96	3,413.56
RPL	583.66	1,079.83	13.86	1,677.35
Technopark	1,574.53	2,982.76	46.97	4,604.26
Infopark	196.59	373.46	-	570.05
Cochin Port Trust	991.76	1,678.90	23.92	2,694.58
Thrissur Corporation	3,324.85	5,789.45	572.84	9,687.13
KDHPCL	747.76	1,411.74	8.46	2,167.96

**Table 7. Estimation of revenue available for power purchase**

Licensees	Revenue available for power purchase				
	Total Revenue for the year for 2014-15	Approved distribution cost for 2014-15	Approved Demand Charges (12 months) for 2014-15	Proportionate Energy Charges at existing tariff from 1-4-2014 to 15-8-2014	Balance revenue available for power purchase for 7 ½ months
	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)	(Rs.lakhs)
	(1)	(2)	(3)	(4)	(5)=(1)-(2)+(3)+(4)
KPUPL	4,189.37	194.85	534.74	1,208.22	2,251.55
CSEZ	3,413.56	253.56	396.00	920.63	1,843.37
RPL	1,677.35	115.25	236.95	497.54	827.60
Technopark	4,604.26	562.33	901.80	1,295.68	1,844.45
Infopark	570.05	33.92	101.25	149.67	285.21
Cochin Port Trust	2,694.58	584.59	292.00	626.96	1,191.03
Thrissur Corporation	9,687.13	1,473.60	1,109.00	2,329.47	4,775.06
KDHPCL	2,167.96	144.62	252.00	612.04	1,159.30

17. Based on the above, the Commission decided to revise the BST as shown below, which will cover the approved revenue gap of some of the licensees and also reduce the surplus of others. While revising the BST, the Commission is not proposing to change the demand charges. The BST payable by the licensees are estimated as shown below:

**Table 8. Estimation of BST**

Licensees	Existing Energy charge	Energy purchase for full year (201-15)	Proportionate energy purchase for 7 ½ months	Revenue available for power purchase (7 ½ months)	Energy charges that can be levied for 7 ½ months	Rounded off
	(Rs./kWh)	(MU)	(MU)	(Rs.lakh)	(Rs./kWh)	(Rs./kWh)
KPUPL	4.75	67.83	42.39	2,251.55	5.31	5.30
CSEZ	4.40	55.77	34.86	1,843.37	5.29	5.30
RPL	4.55	29.16	18.23	827.60	4.54	4.55
Technopark	4.85	71.24	44.53	1,844.45	4.14	4.85
Infopark	4.85	8.23	5.14	285.21	5.55	5.55
Cochin Port Trust	5.05	33.11	20.69	1,191.03	5.76	5.75
Thrissur Corporation	4.40	141.18	88.24	4,775.06	5.41	5.40
KDHPCL	3.80	42.95	26.84	1,159.30	4.32	4.30



18. As shown above, in the case of M/s Technopark, the Commission has noted that the demand charges proposed and approved in the ARR&ERC order for 2014-15 is based on the estimated billing demand of 25050 kVA. However, the actual billing demand is much lower especially in Phase II/III and in Kollam. Hence, the demand charges and the power purchase cost for the year 2014-15 will be substantially lower than the approved level of Rs.901.80 lakhs. Considering this, the Commission is inclined to retain the energy charges in the BST for M/s Technopark at the present level ie., Rs.4.85 per unit.
19. M/s KSEBL has sought revision of BST for MES and sale to Pudussery Electricity Department (Mahe) and Karnataka. As per the information available, the supply is at 11kV. The Commission has been following a principle of benchmarking the tariff for these entities with HT II Tariff applicable to non-industrial, non-commercial HT consumers such as Public Offices. In the Tariff Order dated 14-8-2014, these categories have been included as HT II(A). Thus, the approved BST applicable for the licensees is as shown below:

**Table 9: Approved BST from 16-8-2014**

Licensees	Existing BST		BST proposed by KSEBL		BST approved by the Commission	
	Demand charge (Rs./kVA)	Energy charge (Rs./kWh)	Demand charge (Rs./kVA)	Energy charge (Rs./kWh)	Demand charge (Rs./kVA)	Energy charge (Rs./kWh)
KPUPL	300	4.75	350	5.70	300	5.30
CSEZ	300	4.40	350	5.30	300	5.30
RPL	300	4.55	350	5.50	300	4.55
Technopark	300	4.85	350	5.85	300	4.85
Infopark	300	4.85	350	5.85	300	5.55
Cochin Port Trust	300	5.05	350	6.10	300	5.75
Thrissur Corporation	300	4.40	350	5.35	300	5.40
KDHPCL	300	3.80	350	4.75	300	4.30
MES	350	4.45	400	5.40	350	5.10
Pudusserry	350	4.45	400	5.40	350	5.10
Karnataka	350	4.45	400	5.40	350	5.10

20. The revenue due to KSEBL based on the revised BST including that of Military Engineering Services (MES), Electricity distribution agencies of Pudussery and Karnataka, are estimated as shown below:

**Table 10: Increase in Revenue due to Revision of BST**

Licensees	Revenue from Energy charges for 7 ½ months at pre-revised BST	Revenue from Energy charges for 7 ½ months at Revised BST	Increase in revenue to KSEBL
	(Rs.lakh)	(Rs.lakh)	(Rs.lakh)
KPUPL	2,013.71	2,246.87	233.16
CSEZ	1,534.38	1,829.95	295.58
RPL	829.24	820.13	(9.11)
Technopark	2,159.46	2,159.46	-
Infopark	249.44	282.87	33.43
Cochin Port Trust	1,044.94	1,179.44	134.50
Thrissur Corporation	3,882.45	4,764.83	882.38
KDHPCL	1,020.06	1,154.28	134.22
MES	1,823.13	2,089.41	266.28
PED	1,140.63	1,306.88	166.25
Karnataka	14.38	16.58	2.20
Total	15,711.80	17,850.68	2,138.88

21. The Commission has noted that the revenue projections of the licensees are not accurate and the estimation of revenue is relatively moderate even after the revision of tariff. It may be due to re-categorisation of consumer categories. The Commission is inclined to accept these limitations in revenue projection. Accordingly, the Commission directs that all licensee shall furnish the details of actual demand raised and categorywise consumption of energy for the months from August onwards for verification. Based on the actual data, the Commission will take suitable decision on revision of BST if any required.

### ***Orders of the Commission***

22. Based on the above, the Bulk Supply Tariff applicable for the purchase of power by the licensees from KSEBL is decided as shown below:

Licensees	Demand charge (Rs./kVA)	Energy charge (Rs./kWh)
KPUPL	<b>300</b>	<b>5.30</b>
CSEZ	<b>300</b>	<b>5.30</b>

RPL	300	4.55
Technopark	300	4.85
Infopark	300	5.55
Cochin Port Trust	300	5.75
Thrissur Corporation	300	5.40
KDHPCL	300	4.30
MES	350	5.10
Pudusserry	350	5.10
Karnataka	350	5.10

23. The above tariff for each licensee will be applicable irrespective of the voltage level in which supply is availed. ***The revised BST is applicable from 16-8-2014 and effective till 31-3-2015.***

24. As mentioned in para 12, the revenue gap for M/s KDHPCL is revised to Rs.26.24 lakhs and the ARR&ERC order for M/s KDHPCL for the year 2014-15 is modified to this effect.

25. The Commission wishes to point out that the licensees are allowed the prudent distribution costs along with provisional return and the excess revenue due to revision of retail supply tariff is transferred to KSEBL by way of increase in BST since KSEBL is meeting the power requirements of all the other distribution licensees in the State. Hence KSEBL is directed to take necessary steps to meet the power requirements of the licensees without any more delay and enter into power purchase agreements with them in a time bound manner, till alternate arrangements emerge. The Commission does also urge upon the licensees to initiate steps to contract for bulk power from other sources through transparent bidding process as per the provisions of law and guidelines issued by Government of India so as to ensure competitiveness in electricity supply.

Sd/-

**Mathew George**  
**Member**

Sd/-

**T.M. Manoharan**  
**Chairman**

**Approved for issue**

**Secretary**