

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present: **Shri. Preman Dinaraj, Chairman**
Shri. S. Venugopal, Member
Shri. K. Vikraman Nair, Member

Petition No. OP 58/2018

In the matter of : Petition seeking approval for Edamon - Kochi
Compensation package

Petitioner : Kerala State Electricity Board Limited.

Petitioner represented by : Shri. K.G.P Nampoothiri, EE, TRAC, KSEB Ltd
Shri. George Mathew, EE, Special Task Force,
KSEB Ltd
Smt. Latha S V, AEE, TRAC, KSEB Ltd

Order dated 09.08.2019

1. KSEB Ltd., on 30.08.2018, filed a petition before the Commission for the approval of special compensation package for constructing the 400kV Edamon - Kochi line, by PGCIL as part of evacuation of power from Kudankulam Atomic Power Plant, with the following prayer.

“KSEBL humbly request Hon’ble Commission’s approval for making payment towards Kerala’s share of Compensation for constructing the Edamon-Kochi line as per the orders of Government of Kerala and allow pass through of such expenses in the ARR & ERC of SBU-T of KSEBL.”

2. The summary of the issues raised in the petition is given below.
 - (i) The petitioner, Kerala State Electricity Board Limited (here in after referred as KSEB Ltd), is a State Public Sector power utility with three functional units - SBU - Generation, SBU - Transmission and SBU – Distribution.
 - (ii) KSEB Ltd is the incumbent distribution licensee in the State and generating/procuring power for meeting the entire demand of the State, including the electricity requirement of the other licensees within the State. At present, about 70% of the power requirement of the State is being met through purchase of power from Central Generating Stations (CGS) and Independent Power Producers located outside the State.
 - (iii) KSEB Ltd had entered into Power Purchase Agreement (PPA) with Nuclear Power Corporation of India Limited (NPCIL) on 15.11.2013,

for procuring 266MW from its Kudankulam Nuclear Power Plant having capacity 2000 MW.

- (iv) The transmission system for evacuating power from Kudankulam Atomic Power Project (2 x 1000MW) was identified and approved by the Standing Committee on Transmission System Planning in its 18th meeting held on 5/3/2004. The Ministry of Power, Government of India vide memorandum No.11/16/2003-PG dated 23-3-2004 authorized Power Grid Corporation of India Limited (PGCIL) to undertake the implementation of the 'transmission system' in pursuance of section 68 of the Electricity Act, 2003. As per the original schedule, the total transmission system has to be completed by November 2008, however subsequently the same was re-scheduled to March 2012.
- (v) The assets which form part of Kudankulam Transmission system, consists of the following elements.
 - 1) Kudankulam-Tirunelveli 400KV (QUAD) Double Circuit Line-I and II
 - 2) Tirunelveli-Udumalpet 400KV DC line
 - 3) Tirunelveli-Edamon (KSEB) 400KV Multi-circuit line (two 400KV Double Circuit line; one line initially to be operated at 220KV level)
 - 4) Edamon (KSEB) – Muvattupuzha (Cochin) 400KV (QUAD) DC Line
 - 5) Muvattupuzha (Cochin) - North Trichur 400KV(Quad) DC line
 - 6) LILO of both circuits of Madurai-Trivandrum 400KV DC line at Tirunelveli.
 - 7) New Substations at Tirunelveli, Muvattupuzha, Extension of North Trichur, Udumalpet and Trivandrum Substations.
- (vi) The transmission scheme for Kudankulam Plant through Kerala was finalized in a high level meeting held by Government of Kerala having senior officers of Kerala Government, Central Electricity Authority, KSEBL, PGCIL and others. The route for Edamon-Cochin line was finalized after carefully examining the different alternatives for transmission corridors. The Edamon- Cochin 400 kV DC transmission system, traverses through the four districts viz Kollam (22km), Pathanamthitta (47km), Kottayam (51km) and Ernakulam (28km) districts in Kerala.
- (vii) KSEB Ltd agreed to spare its existing corridors of the interstate transmission lines, Edamon-Kayathar and Idukki-Madakkathara for interlinking the sections of Tirunelveli-Edamon and Cochin-North Thrissur lines respectively. Further, for best utilization of the Right of Way, the transmission lines were proposed with high capacity 'QUAD' conductor instead of 'TWIN' conductor configuration.
- (viii) Out of the transmission system identified for evacuation of power from Kudankulam Nuclear Power Plant, almost all the transmission assets except Edamon-Cochin line were commissioned during the year 2011 itself. The construction of 400kV Tirunelveli-Edamon portion of the Tirunelveli-Cochin line was commissioned in 25.06.2010 and the

400KV substation of PGCIL at Cochin along with the 400KV DC line from Madakkathara to Cochin was also commissioned in 2011.

- (ix) However, the construction work of Edamon-Cochin line was stalled because of severe Right of Way (RoW) issues, protests and objections from land owners. Since the Edamon-Cochin line was not commissioned, the share of power from Kudankulam Plant to Kerala is now routed through Kudankulam-Thirunelveli-Udumalpet-Madakkathara lines. This route is about 250km longer than the Tirunaaveli-Edamon-Kochi-Madakkathara route envisaged for transmitting power from Kudankulam to Kerala and this has been resulting in additional transmission loss. Further, the drawal of Kerala's share of power from Kudankulam is severely affected whenever there is variations in generation/demand in the state of Tamilnadu and also during the wind power generation seasons in Tamilnadu. Further, this line has a significant role in improving the inter-state import capability to Kerala and intra state transmission capability within the State. The commissioning of the Edamon- Kochi line would help in resolving the present transmission constraints faced by the Kerala State.
- (x) The State Government has been taking efforts since 2009 for resolving the RoW issues with land owners in Edamon-Cochin line route. Government of Kerala, had issued several orders on providing compensation to the affected parties. A brief description of the steps taken by the State Government in this regard is given below:
 - (a) The State Government vide the order No. 960/2009/RD dated 9-3-2009 had approved compensation for the loss caused at the tower location in paddy fields, garden lands and rubber plantations as 20%, 40% and 50% respectively, of the land price finalized by the concerned District Collectors.
 - (b) Further, the State Government vide order No.581/2010/RD dated 4-2-2010, had categorized the land areas for tower location into two categories namely, paddy fields and garden area including rubber plantations and enhanced the compensation for the paddy field and the garden area to 40% and 70% respectively, of the land price fixed by the District Collector. In addition, an ex-gratia of 20% of the land value will be paid for the lands covered under the line corridor except the line running through the existing corridor of KSEB used by PGCIL.
 - (c) Subsequently, the State Government vide the Order No.2674/2010/RD dated 4-6-2010 had modified the earlier orders to the extent that, the compensation for tower standing (footing) area as well as the ex-gratia is based on the fair value notified by the Government. Subsequently, Government vide the Order no.270/2011/RD dated 14-1-2011 further modified the earlier orders extending the ex-gratia payment of 20% even for the line corridor where the KSEBL lines exist.

- (d) Subsequently, the State Government worked out a comprehensive compensation package, which was not acceptable to PGCIL as the package imposed an additional liability of approximately Rs.225 Crores. Further, the Government issued a letter dated 30-1-2013 proposing to further modify the aforesaid Government orders on compensation and proposed that the compensation for tower location would be increased from 70% to 100% and that the ex-gratia for corridor would be enhanced from 20% to 40% and the market value of the land would be assessed at two and a half times of the fair value.
- (xi) PGCIL has filed a writ petition before the Hon'ble High Court of Kerala against the special compensation packages formulated by the State Government. Hon'ble High Court vide the judgment dated 28th May-2014 in Writ Petition(c)No.22382 of 2013 ordered as follows:

“ 15. Under the above mentioned circumstances, even though this court is not inclined to quash Exts P10 to P13 orders, the 1st respondent is directed to take necessary actions to direct the officials of the ‘Special Land Acquisition Units’ entrusted with the task of finalisation of the compensation with respect to drawing of the line from Edamon-Cochin to finalise the work on an early basis without any further delay and to facilitate the petitioner Corporation to proceed with executions of the work for establishment of the transmission line.

16. The respondents 5 to 8 or the Additional District Magistrates of the District concerned, who are authorized to exercise powers vested under Section 16(1) of the Indian Telegraph Act, 1885 are directed to adjudicate and deal with the applications if any submitted by the petitioner corporation seeking removal of obstructions and permissions for drawing of the line. Such complaints if any received shall be dealt with expeditiously, after affording opportunity to the persons who are creating such obstructions. All such applications if any pending shall be disposed at the earliest, at any rate within a period of 4 months from the date of receipt of a copy of this judgment. Fresh applications if any received in this regard shall also be dealt with an expeditious basis and shall be disposed of within a period of 3 months from the date of receipt of such applications.

17. The petitioner shall make necessary further deposit of amount to be paid as compensation which will be determined by the officials of the Land Acquisition Wing or which will be enhanced through awards passed by District Courts Concerned. The officials entrusted with the finalisation of the valuation and fixation of the compensation will determine the compensation payable in accordance with law and settled legal precedents. They will be at liberty to adopt the guidelines contained in Exts. P10 to P13 Government Orders, if it is found eligible.

The writ petition is disposed of on the basis of the above directions.”

(xii) Subsequently, State Government vide GO dated 20-1-2015 has evolved a detailed ‘Special Compensation Package’ wherein it is decided that the entire liability on account of the revised Special Compensation Package will be shared between the State Government and KSEB Ltd. Further the GO dated 30.07.2015 has also been issued specifying the compensation and % of payment to be made by PGCIL, KSEBL and GoK, as follows:

- a) *The Compensation for tower footing area for garden land will be increased from 70% to 100% of the land value.*
- b) *The Compensation for tower standing area of paddy fields will be increased from 40% to 100% of the land value.*
- c) *Ex-gratia payment for line corridor increased from 20% to 40% of the land value.*
- d) *To compensate additionally for the displacement of activities and curtailment of rights on the property adjacent to the land along which electrical line is drawn, a ‘displacement allowance’ is provided along with land value such that the land value and displacement allowance together does not exceed 5 times the fair value fixed in that specific area.*
- e) *Compensation at 100% of the land value for nominal land.*
- f) *Special ‘one time settlement’ @ Rs.1 Lakh for houses existing under the line.*

Sl.No.	Particulars of compensation	Payment to be made by
1	Compensation for tower standing area in garden land	85% by PGCIL, balance by GoK/KSEB
2	Compensation for tower standing area in paddy fields	85% by PGCIL, balance by GoK/KSEB
3	Ex-gratia payment for line corridor	15% by PGCIL, balance by GoK/KSEB
4	Compensation for nominal land left out for owners	GoK/KSEBL
5	Compensation for damages caused to all standing trees and crops along the line	PGCIL
6	Special Package of Rs.1 Lakh for owners of houses under the existing line	GoK/KSEB

(xiii) Government vide the order dated 31.8.2016, modified the G.O dated 30.07.2015 as follows;

a. *Ex-gratia for the 16m wide corridor through which the line passes shall be the sum of 40% of the fair value and the displacement value and the sum of the displacement value and the land value shall not exceed 5 times the fair value of the land.*

b. *For the area on which the tower stands, compensation will be paid @ 100% of 5 times of the fair value.*

(xiv) The KSEB Ltd reported in the petition that the construction of Edamon-Kochi line is in progress. As on 30-07-2018, 393 numbers of tower foundation and 333 numbers of tower erection out of a total of 447 locations and 57.78 km line stringing out of 148km have been completed.

(xv) As per the estimate prepared by KSEB Ltd., the total compensation comes to around Rs. 473.59 Crores with KSEBL/GoK share of around Rs.256.04 Crore. An abstract of the estimate is submitted below:

Sl. No	Particulars	Total Amount (Rs.Cr.)	PGCIL		KSEBL/GoK	
1	Tower standing area (100%) based on design area	88.69	85%	75.39	15%	13.30
2	Line corridor (40%) including displacement allowance	379.10	15/40	142.16	25/40	236.94
3	Nominal Land	2				2
4	Compensation for existing houses under the line	3.80				3.80
	Total	473.59		217.55		256.04

Based on the above estimate, the compensation likely to be borne by KSEB Ltd as per the Special Compensation Package approved by State Government is about Rs.128.02 Cr. KSEB Ltd also reported that the disbursement of compensation for Tower Standing Area (TSA) and trees/crops damaged are in progress. However, the exact financial liability of compensation to be borne by KSEB Ltd and State Government can be assessed only after disbursing the entire compensation to land owners.

3. The Commission admitted the petition as OP No. 58/2018. The hearing on the petition was held at the Court hall of Commission on 12.02.2019. During the hearing, Sri. K.G.P Nampoothiri, Executive Engineer, and Sri. George Mathew, Executive Engineer, Special Task force, KSEB Ltd presented the matter on behalf of the KSEB Ltd. The summary of the issues raised during the hearing are given below.

(1) The construction of the 400 kV Transmission in Edamon-Kochi Sector, which originally was envisaged as part of the transmission system

associated with Kudankulam Power Plant, was stalled due to Right of Way (RoW) issues due to protest and objections from the land owners in the districts of Kollam, Pathanamthitta, Kottayam and Ernakulam, through which the lines traverse.

- (2) The State Government vide the G.O (Ms) No. 29/2015/PD dated 30.07.2015, evolved a Special Compensation package and clearance for restoration of the construction works. K S E B Ltd. has to make payment based on the same for the smooth progress of work of construction of the line.
- (3) As per the current estimate of KSEB Ltd, the total compensation comes to around Rs.473.59 Crores, out of which KSEBL/GoK share is around Rs.256.04 Crore. However, the exact financial liability can be ascertained only after disbursing the entire compensation to the land owners.
- (4) The status of the construction of the Edamon-Kochi line presented during the hearing is given below.
 - (i) Foundations for 436 tower locations out of the 447 tower locations were already completed.
 - (ii) Tower erection at 427 locations out of 447 locations completed.
 - (iii) Stringing of 103.3 km out of 148.3 km were completed.

KSEB Ltd also submitted that, within two months, the entire work of the 400 kV Edamon Kochi Transmission system is likely to be completed. KSEB Ltd is yet to start remitting the additional compensation to the land owners.

4. Based on the deliberations during the hearing and other documents placed, the Commission vide the daily order dated 18.02.2019 directed KSEB Ltd. to submit the following;
 - (i) A copy of the resolution of the Director Board of KSEB Ltd. to adopt and implement the Special compensation package, as ordered by the State Government vide the G.O (Ms) No. 29/2015/PD dated 30.07.2017 and its amendments dated 31.08.2016 and 17.03.2018.
 - (ii) The financial source for meeting the compensation to be met by KSEB Ltd, taking into consideration of the fact that, the entire assets forming part of the 440kV Edamon Kochi Transmission system is owned and operated by PGCIL.
 - (iii) KSEB Ltd shall, during the determination of transmission tariff of the 400kV Edamon-Kochi transmission system of PGCIL by Hon'ble Central Electricity Regulatory Commission (CERC), ensure that the amount borne by the GoK/KSEB Ltd as special compensation is not loaded in the capital cost of the 400 kV Edamon- Kochi transmission system.

- (iv) How KSEB Ltd intends to account for this amount in its books.
5. In compliance of the above, KSEB Ltd, vide letter dated 06.06.2019 submitted the following;
- (i) *Government of Kerala vide G.O.(MS)No.29/2015/PD dtd. 30-7-2015 had approved a special compensation package for the land owners for payment of compensation. The disbursement of compensation as per the Government Order was being carried out by PGCIL and an amount of Rs.25.661 Crore has been disbursed by PGCIL so far. When the payments by PGCIL became exhaustive, they requested KSEBL on 15-11-2018 to release an amount of Rs.6 Cr immediately in order to effect the remaining payments and to ensure the smooth continuation of the works. The entire matter was placed before the Director Board of KSEB Ltd., including the compensation package ordered by Government of Kerala and the share to be borne by KSEB Ltd. The Board of Directors in its meeting held on 18-2-2019 resolved to accord sanction to release Rs.6 Cr from KSEBL fund out of the estimated KSEBL share of Rs.155 Crore.*
- (ii) *Consequent to the G.O(MS)No.27/2014/PD dated 19-8-2014 and G.O(MS)No.2/2015/PD dated 20-1-2015, KSEBL had invited proposal from Nationalised banks, scheduled banks, RECL & PFC for providing loan facility. RECL had accorded in principle sanction subject to approval of KSERC for accounting cost of compensation in the ARR, hypothecation of assets of KSEBL or Guarantee by Government of Kerala. Tamilandu Mercantile Bank had sanctioned loan to the tune of Rs.100 Crore. M/s. Power Finance Corporation also sought to obtain sanction of KSERC for accounting the expense in ARR and Government guarantee. No formal sanction is issued by Power Finance Corporation. KSEBL had requested the Government of Kerala vide letter dated 23-6-2015 to provide guarantee and to exempt KSEBL from guarantee commission. So far no response has been received from Government of Kerala in this matter. Only REC Ltd. and PFC Ltd. had shown substantial interest on providing loan facility. However, the special condition is the approval of Hon'ble Commission for accounting the cost of compensation in the ARR.*
- (iii) *KSEBL undertakes to comply with the direction.*
- (iv) *The following accounting treatment is considered for booking the transactions. The amount payable by KSEBL towards special compensation package for acquiring the Right of Way can be treated as intangible asset as per Ind AS-38 which is capable of measurement in reliable manner and definite future economic benefit are expected to rise by way of savings in cost. KSEBL is also in a position to restrict access of others to the future economic benefits and intangible asset is identifiable by itself. Therefore on acquiring the Right of Way, it can be accounted for as an intangible asset and amortized over the useful life of the asset which would be based on the number of years over which the future economic benefit is expected to be realized by KSEBL. However, the impairment of value of the asset has to be verified/tested annually on an ongoing basis and in case it is noted that the useful life*

has been reduced or is lower due to any subsequent development, the cost impaired on account of reduction of economical life has to be written off in the year of such identification.

Analysis of the issues

6. The Commission examined the petition filed by KSEB Ltd in detail as per the provisions of the Electricity Act 2003 and the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018, and also the provisions of the Indian Accounting Standards 38, and other details and documents submitted during the proceedings of the subject matter.
7. The Commission has noted that, the State of Kerala has an allocation of 266 MW from the Kudankulam Atomic Power Plant (2000 MW) located in the State of Tamilnadu. The transmission system identified for evacuating the power from Kudankulam Power plant (except the 400 kV Edamon- Kochi line) was already completed in the year 2011.

KSEB Ltd submitted that, in the absence of the Edamon- Kochi line, the power from the Kudankulam plant to the State is routed through Kudankulam,- Thirunelveli- Udumalpet- Madakkathara 400 kV line, which is 250km more in length when comparing with Thirunelveli- Edamon- Kochi- Madakkathara route. This results in an additional transmission loss of about 20 MW approximately in the State.

It is also reported that, with the commissioning of the Edamon- Kochi line, the import capability to the State of Kerala is likely to be increased by about 500 MW from the present level, so that cheaper power to that extent can be procured from power exchanges / other sources from outside the State.

Accordingly, the commissioning of the Edamon-Kochi 400 kV line has a vital role in improving the power system of the State as follows.

- (i) Reduce the line loss associated with the import of the share of Kerala from the Kudankulam power plant.
- (ii) Enhance the overall import capability to the State from the sources of power from outside the State.
- (iii) Overall improvement in intra-state transmission capability of the State.
- (iv) Mitigate the inter-regional congestion between Kerala and Tamilnadu.
- (v) Improve the reliability in Kerala power system.

Considering the above facts, the Commission is also of the view that, the 400 kV Edamon Kochi line has to be commissioned at the earliest for the betterment of the power system and to provide quality power at affordable cost to the consumers of the State.

8. In the above background, the Commission has appraised the efforts taken by the State Government to sort out the Right of Way (RoW) issues in connection with the construction of the 400 kV Edamon - Kochi line and Special Compensation package ordered by the State Government. As per the Government Order dated 30.07.2015, the additional financial liability due to

the special compensation package will be borne and shared equally by the Government of Kerala and KSEB Ltd.

9. As per the petition filed by KSEB Ltd, the total additional liability due to the special compensation package ordered by the State Government is estimated at Rs 256.04 crore and accordingly the share of KSEB Ltd on this account is about Rs 128.02 crore. KSEB Ltd requested before the Commission to grant approval for making the payment towards KSEB's share of compensation for constructing the Edamon - Kochi line as per the orders of Government of Kerala and allow to pass through such expenses in the ARR&ERC of SBU-T of KSEB Ltd.
10. As per the details submitted by KSEB Ltd, the licensee is yet to make actual payment towards compensation as per the special compensation packages ordered by the State Government. Hence the Commission can only grant conditional approval for the special compensation for making payment to the farmers and land owners, which is detailed in the subsequent paragraphs.
11. The construction of the 400 kV Edamon Kochi line is entrusted with the Power Grid Corporation of India Ltd (PGCIL). As the Central Transmission Utility and Transmission Licensee, the cost of construction of the line is being met by the developer PGCIL. After completion and commissioning of the line, the Central Electricity Regulatory Commission will determine the transmission tariff of the said line, based on the petition filed by the PGCIL for determination of the transmission tariff of the said line. KSEB Ltd may be impleaded as a respondent before the CERC on the subject petition. KSEB Ltd and other beneficiaries, if any, of the said line has to bear the transmission charges approved by the CERC for the Edamon Koch line.
12. The fact being so, any payment made by the KSEB Ltd towards additional compensation as per the orders of the State Government for the Edamon-Kochi 400 kV line, does not involve creation/ acquisition/ construction of any tangible asset by KSEB Ltd as the construction of this transmission line is being undertaken by PGCIL.
13. However, the expenditure incurred by KSEB Ltd towards special compensation is for facilitating the construction and commissioning of the Edamon-Kochi line, which would results in huge additional benefits to the State as detailed under paragraph-7 above. But the said amount cannot be capitalised as the assets of KSEB Ltd, since there is no construction/ acquisition of assets by using the amount to be paid towards additional special compensation to farmers and land owners.
14. KSEB Ltd in its reply dated 06.06.2019 submitted that, *'the amount payable by KSEB Ltd towards special compensation package for acquiring the Right of Way can be treated as intangible asset as per Ind As 38 which is capable of measurement in reliable manner and definite future economic benefit are expected to rise by way of savings in cost. KSEB Ltd is also in a position to restrict the access of others to the future economic benefits and the intangible asset is identifiable by itself. Therefore on acquiring the Right of Way, it can be accounted as an intangible asset and amortised over the useful life of the asset which would be based on the number of years over*

which the future economic benefit is expected to be realised by KSEB Ltd'. This reply was based on expert advise given by M/s Varma & Varma, Chartered Accounting firm.

15. The Commission examined the submission of KSEB Ltd as per the provisions in the Ind AS 38. Since there is definite economic benefit to the KSEB Ltd once the 400 kV Edamon Kochi line is commissioned, and its cost and benefits can be measured reliably, the amount payable by KSEB Ltd can be treated as 'intangible assets of KSEB Ltd'. Further KSEB Ltd has to avail loan from financial institutions to meet this liability and normally the loan repayment period of long-term loans is limited to '12 years'.

Considering these facts, the Commission has decided to provisionally approve the payment of KSEB's share of special additional compensation package as per the orders of the State Government and to amortise the amount within a period of 12 years. The amortisation amount and the interest payable shall be allowed as an expense of KSEB Ltd and allowed to be recovered through tariff. However, under any circumstances, the Commission shall not allow O&M expenses, return on equity or any such expenses over and above the 'amortisation amount and interest' to the intangible assets, to be recovered through tariff. Further, since the intangible asset so created is being amortised over a period of 12 years no separate provision for depreciation shall be provide.

16. The Commission has also noted that, KSEB Ltd is yet to make the payment to the farmers and land owners towards the special additional compensation as per the orders of the State Government. Hence, the Commission may, while truing up the accounts of KSEB Ltd of the relevant year(s) in which the licensee make the actual payments towards additional special compensation, approve such amount as its intangible assets, and also issue appropriate orders on amortisation of the same over a period of 12 years from the year(s) of payment of the additional special compensation.

Hence, while filing the petitions on Truing Up of accounts of the relevant year(s), KSEB Ltd shall submit the details of the additional special compensation paid to the farmers and landowners as per the orders of the State Government.

17. This order deals only with the share of special additional compensation of KSEB Ltd as per the orders of the State Government on special compensation package. Hence KSEB Ltd shall, separately take necessary steps to get the share of the State Government towards financial liability of special compensation, as committed by the State Government in its orders on additional special compensation package.

Orders of the Commission

18. The Commission after examining the petition filed by KSEB Ltd as per the provisions of the Electricity Act, 2003, KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018, Ind As 38 and other relevant facts and documents, hereby orders the following.

- (1) The Commission provisionally approves 50% of the additional financial liability due to the 'special compensation package' of the 400 kV Edamon- Kochi Transmission line, as KSEB Ltd's share as per the orders of the State Government.
- (2) The share of KSEB Ltd under additional special compensation package shall be treated as the 'intangible assets' of KSEB Ltd of the financial year(s) in which KSEB Ltd actually make the payment to the farmers and landowners, and it shall be allowed to be amortized over a period of 12 years from the year(s) from which KSEB Ltd actually make the payment.
- (3) KSEB Ltd shall, along with the petitions on truing up of the relevant year(s) in which the payment towards the additional special compensation is made, submit the details of the additional special compensation paid to farmers and landowners in connection with the construction of the 400 kV Edamon-Kochi line.
- (4) The Commission shall allow recovery of the yearly amortization amount along with interest, as expense of KSEB Ltd and to be recovered through tariff.
- (5) The Commission shall not allow O&M expenses, return on equity or any such expenses over and above the 'amortisation amount with interest' to the intangible assets so created towards the KSEB Ltd share of additional special compensation package as per the orders of the State Government. Further, since the intangible asset so created is being amortised over a period of 12 years no separate provision for depreciation shall be provided.

The petition is disposed of accordingly.

Sd/-
K. Vikraman Nair
Member

Sd/-
S. Venugopal
Member

Sd/-
Preman Dinaraj
Chairman

Approved for issue

G Jyothichudan
secretary