

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Petition No: OP 57/ 2022

Present : **Sri. T.K.Jose, Chairman**
Adv. A. J. Wilson, Member
Sri. B. Pradeep, Member

In the matter of : Petition filed by M/s Infopark, Kochi for the truing up of accounts for the financial year 2020-21

Petitioner : M/s Infopark, Kochi

Date of Hearing: : 25.01.2023 through video conferencing mode

Represented by : Sri. Vijayan V R, AGM- Projects
Sri. Arun S, Asst. Engineer- Electrical

Order Dated 24.04.2023

1. M/s Infopark, Kochi is a Government of Kerala Undertaking, engaged in the business of providing ready to occupy infrastructure including power distribution to IT companies in Kakkanad and Cherthala area. As per the Regulation 10(1) of KSERC (Terms and Conditions for Determination of Tariff) Regulations 2018, the petition for Truing Up of accounts for the year 2020-21 should have been filed by 30.11.2021. However, the licensee filed the petition for Truing Up of accounts only on 21-02-2022 i.e., after delay of 82 days. In the petition filed for condonation of delay, the licensee has stated that COVID 19 pandemic and related issues as the reasons. The Commission after examining the reasons mentioned in the petition, condoned the delay vide Order dated 16.03.2022 and admitted the petition as OP 57/2022.
2. The Commission vide Order dated 26.08.2019 in OA 04/2019 had issued Order on ARR & ERC of the licensee for the control period from 2018-19 to 2021-22. The Commission had approved a revenue surplus of Rs.106.81 lakh in the said ARR&ERC Order, as against revenue deficit of Rs.232.91 lakh proposed by the licensee. The Commission had issued the Order on the truing up of accounts for the year 2019-20 on 19.09.2022, wherein some directions with regard to the methodologies to be followed were issued to the licensee. The licensee, in compliance with the directions issued, revised the initially filed petition for Truing Up of Accounts 2020-21. The Commission is considering the revised true up petition for processing. The revenue gap as per the present petition for truing up of accounts for 2020-21 is Rs.76.53 lakh. A comparison of the ARR

approved in the Order dated 26.08.2019 and the Truing up claim for the financial year 2020-21 as per the petition along with the trued-up figures for the year 2019-20 is shown below;

Table 1
Comparison of the Truing up of accounts for the period 2019-20 and 2020-21

Particulars	2019-20		2020-21	
	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)0	ARR Order (Rs. lakh)	Truing Up Petition (Rs. lakh)
Purchase of Power	648.08	641.38	1097.98	471.52
Employee Cost	12.98	11.80	47.22	11.16
R&M Expenses	30.09	30.09		37.44
A &G Expenses	12.41	6.16		2.21
Prior Period Employee Cost	0.71	0.71	-	-
Depreciation	44.52	44.52	-	44.52
Prior Period Depreciation	-	133.56	-	-
Interest and Finance Charges	9.50	79.05	2.34	65.53
Prior Period Interest and Finance Charges	-	242.01	-	-
Return on NFA	27.99	25.03	-	23.70
Prior Period Return on NFA	-	83.11	-	-
Total Expenditure	786.28	1297.42	1147.54	656.08
Revenue from Sale of Power	735.23	728.98	1249.91	557.91
Other Income	4.20	4.20	4.44	4.83
Wheeling Charges	14.60	14.60	-	16.81
Total Income	754.03	747.78	1254.35	579.55
Net Surplus/(Deficit)	(32.25)	(549.64)	106.81	(76.53)

Hearing on the Petition

3. The public hearing on the petition was conducted through video conference mode on 25-01-2023 at 11.00 A.M. Sri. Vijayan V R, AGM- Projects, Sri. Arun S, Asst. Engineer- Electrical and other officers of the licensee represented the petitioner and responded to the queries of the Commission. Sri. Vijayan V R briefed the petition before the Commission and replied to the queries. The main points mentioned in the presentation are briefed below;

- a) The number of consumers during the year 2020-21 is 135 and the actual sale for the year is 62.10 lakh units.
- b) There are 111 number of consumers in Kakkanad and 24 consumers in Cherthala campuses. Sales at Kakkanad area is 56.25 lakh units whereas the sales at Cherthala area is 5.85 lakh units only. Commission may see that there is decrease in the sales compared to the previous year. During the year 2019-20, the actual sale was 90.65 lakh units. The licensee has stated that the decrease in the sale was due to COVID 19 pandemic and work at home option of the IT companies in the park.

- c) The energy purchased from KSEB Ltd is 66.34 lakh units and solar power injected to the grid is 0.89 lakh units. The Total energy requirement for the year 2020-21 is 67.23 lakh units
- d) The overall distribution loss for the year 2020-21 is 7.64% and the actual power purchase cost for the year is Rs.471.52 lakh. Distribution loss reported at Kakkanad and Cherthala are 6.22% and 19.34% respectively.
- e) The Commission while approving the norms in the Tariff Regulations 2018 had approved the Operation and Maintenance Expense at Rs.47.22 lakh. The licensee in the petition has claimed total operation and maintenance expense of Rs.50.81 lakh. The major portion of the O&M is towards repair and maintenance for the year
- f) The Employee cost claimed for the year 2020-21 is Rs.11.16 lakh which is the expense towards salary of a resident engineer and an accountant who are common for Kakkanad and Cherthala. The licensee has stated that only half salary of the accountant has been claimed as the expenditure for the distribution business.
- g) The actual R&M expenses for the year is Rs.37.44 lakh, which includes the O&M cost of the outsourced agency. The licensee has stated that the outsourced agency has been selected through competitive bidding process. Commission may kindly see that while truing up the accounts for the year 2019-20, the Commission had approved the actual R&M of Rs.30.09 lakh as claimed by the licensee.
- h) The A&G expenses claimed for the year is Rs.2.21 lakh. Commission may kindly see that during 2019-20, the licensee had claimed electricity charges towards auxiliary power consumption as part of A&G expenses which was disallowed by the Commission. For the year 2020-21, the licensee has claimed only the relevant A&G expenses amounting to Rs.2.21 lakh.
- i) The depreciation claimed for the year 2020-21 is Rs. 44.52 lakh which is in line with the Tariff Regulations 2018. The licensee had claimed the same amount in 2019-20 which was approved by the Commission.
- j) The licensee has claimed Interest and finance charges of Rs. 65.53 lakh which includes interest on normative loan of Rs.59.49 lakh, interest on security deposit of Rs.5.22 lakh and Rs. 0.82 lakh as bank charges.
- k) Return on Net Fixed Assets (RoNFA) of Rs.23.70 lakh has been claimed by the licensee. The Commission while approving the truing up of

accounts in 2019-20 had allowed RoNFA of Rs.25.03 lakh considering the provisions of the Regulations.

- l) The **total expenditure** incurred in 2020-21 is **Rs.656.08 lakh**
 - m) The Revenue from sale of power in 2020-21 is Rs. 557.91 lakh. Major revenue realisation is from three HT I B consumers at Kakkanad
 - n) The licensee has also accounted Rs.16.81 lakh as wheeling charges from M/s Smart City. The total energy wheeled to Smart City is 30.57 lakh units.
 - o) The Non-Tariff Income claimed by the licensee is Rs.4.83 lakh which includes interest on investments and deposits, interest on advances etc.
 - p) The **total revenue** for the year 2020-21 is **Rs.579.55 lakh**
 - q) The petition for the truing up of accounts for the year 2020-21 is submitted with a **revenue gap of 76.53 lakh.**
4. KSEB Ltd, vide letter dated 31.01.2023 submitted the following comments on the petition;
- a) The energy purchase units of Infopark Cherthala and Infopark Kakkanad tally with the records of KSEB Ltd, whereas the power purchase cost does not tally. KSEB Ltd submitted the details of the difference in power purchase cost in comparison with the cost claimed by Infopark in the petition.
 - b) The distribution loss claimed in the petition is higher than the distribution loss level approved by the Commission. It was submitted that distribution loss is a controllable factor and higher loss compared to the approved level is to be disallowed.
 - c) The Operation and Maintenance expense claimed is higher than the ceiling level specified in the Tariff Regulations, 2018. It was submitted that Operation and Maintenance expense is a controllable factor and higher cost compared to the ceiling norms are to be disallowed.
5. After examining the petition and the details briefed during the hearing, the Commission sought further clarifications. The licensee furnished their clarifications vide letter dated 14.02.2023 and 29.03.2023

Analysis and decision of the Commission

6. The Commission has carefully examined the petition submitted by the licensee, the comments and arguments during the hearing, the written submissions by KSEB Ltd and additional clarifications furnished by the licensee. The analysis and decision of the Commission on the petition for truing up of accounts for the year 2020-21 are detailed below:

Energy sales and consumer mix

7. The licensee in the petition submitted area wise details of the number of consumers and sales. There are 111 consumers in Kakkanad and 24 consumers in Cherthala campuses. Sales at Kakkanad area is 56.25 lakh units whereas the sales at Cherthala area is 5.85 lakh units only. Out of the total sale of 62.10 lakh units, major sale of 40.21 lakh units is to three HT I B consumers at Kakkanad. A comparison of the actual number of consumers and the sale of power claimed for the year 2020-21 and Trued Up figures for the year 2019-20 is shown below.

Table-2
Comparison of no. of consumers and sales for the years 2019-20 and 2020-21

Category	2019-20 Trued Up		2020-21 For truing Up	
	Consumers	Sale (Units in lakh)	Consumers	Sale (Units in lakh)
Industrial	76	13.59	107	12.99
Commercial	20	1.91	22	2.66
Street Lighting	2	1.67	2	1.56
HT 1 B	4	73.48	4	44.89
Total	102	90.65	135	62.10

8. There is decrease in the sales compared to the previous year. The licensee has stated that the decrease in the sale was due to COVID 19 pandemic and work at home option of the IT companies in the park.
9. ***After analyzing the details and duly considering the impact of Covid 19 and the change in the consumption pattern, the Commission hereby approves the actual energy sales of 62.10 lakh units as claimed in the petition for Truing Up of Accounts for 2020-21.***

Energy requirement and Distribution Loss

10. The Total energy requirement for the year 2020-21 is 67.23 lakh units. The energy purchased from KSEB Ltd is 66.34 lakh units and the solar power injected to the grid is 0.89 lakh units. Corresponding sale is 62.10 lakh units and the distribution loss reported is 7.64 % which is significantly high compared to the ARR & ERC approved rate of 3.00% and approved rate of 5.23% in the Order on truing up the accounts for 2018-19 and 2019-20. Distribution loss reported for Kakkanad and Cherthala are 6.22% and 19.34% respectively. The area wise distribution loss for the year 2020-21 is tabulated below.

Table - 3
Area wise distribution loss for the year 2020-21 as per petition

Particulars	Cherthala 110 KV	Phase II Kakkanad 220KV	Total
Power Purchase from KSEB Ltd (in lakh units)	7.26	59.08	66.34
Solar Generation (in lakh units)	-	0.89	0.89
Energy Requirement (in lakh units)	7.26	59.97	67.23
Energy sales (in lakh units)	5.85	56.25	62.10
Distribution loss (in lakh units)	1.41	3.72	5.13
Distribution loss (%)	19.34	6.22	7.64

11. The licensee has stated that the loss at Infopark Cherthala is very high over the years due to the no load loss of transformer. During 2017-18, Infopark has taken up the matter with KSEB Ltd with a plan to hand over 110 kV Substation, so that the assets can be better utilized for nearby consumers like KSIDC. The plan had not materialized since a proposal for setting up a Data Centre arose in between. The licensee has in the petition stated that they have once again taken up the matter with KSEB Ltd and their reply is awaited. The licensee has also stated that the decrease in operations of the licensee and resultant increase in the distribution loss are due to nation-wide lock down and subsequent restrictions imposed in the State for combatting Covid-19 Pandemic.

12. The licensee in the clarifications submitted vide letter dated 14.02.2023 and 29.03.2023, revised the distribution loss by including the energy wheeled for SmartCity through their distribution network. Based on the revised submission, the distribution loss for the year 2020-21 is 6.60%. The area-wise revised distribution loss is tabulated below.

Table – 4
Revised distribution loss for 2020-21

Particulars	Cherthala 110 KV	Phase II Kakkanad 220KV	Total
Power Purchase from KSEB Ltd (in lakh units)	7.26	59.08	66.34
Solar Generation (in lakh units)	-	0.89	0.89
Wheeled Energy Input (in lakh units)	-	30.57	30.57
Energy Requirement (in lakh units)	7.26	90.54	97.80
Energy sales (in lakh units)	5.85	56.25	62.10
Wheeled Energy output (in lakh units)	-	29.25	29.25
Total Energy Output (in lakh units)	5.85	85.50	91.35
Distribution loss (in lakh units)	1.41	5.04	6.45
Distribution loss (%)	19.42%	5.57%	6.60%

13. The Commission while truing up the accounts for the year 2019-20 had approved a total distribution loss of 5.23% (the actual distribution loss of 5.50% was restricted to the loss of 5.23% which was the same allowed in the year 2018-19) and had stated that *'considering the dismal business performance in Cherthala area and resultant higher incidence of overall distribution loss, the Commission decides to give one more chance to the licensee to find a solution for the issue'*
14. The Commission has examined the area wise details of energy input and energy output for the year 2020-21 and notes that the actual loss has increased to 6.60% compared to the previous year actual (2019-20) level of 5.50%. A comparison of the area wise distribution loss of the licensee for the year 2018-19, 2019-20 and 2020-21 is tabulated below;

Table- 5
Comparison of the area wise distribution loss

Particulars	Cherthala 110 KV			Phase II Kakkanad 220KV		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
Energy Requirement (in lakh units)	12.71	11.66	7.26	72.03	111.15*	90.54*
Energy sales (in lakh units)	11.19	10.24	5.85	69.12	106.84*	85.50*
Distribution loss (in lakh units)	1.52	1.42	1.41	2.91	4.31	5.04
Distribution loss (%)	11.98%	12.18%	19.42%	4.05%	3.88%	5.57%

*including solar energy and wheeled energy.

15. The Commission has examined the area wise distribution loss reported from 2018-19 to 2020-21 and notes that the sale of energy in Kakkanad Phase II area declined by 19% during 2020-21 (compared to the sale of 2018-19), whereas the decline in Cherthala area during the corresponding period was 48%. The abnormal reduction due to Covid 19 pandemic along with no load loss of transformer is contributing factor for the higher incidence of Distribution loss at Cherthala area. However, it is noted that despite fall in sales, the absolute value of distribution loss has remained almost same, requiring detailed analysis and correction on the part of the licensee. At Kakkanad license area, the absolute value of loss has actually increased despite fall in energy handled which is a matter of serious concern. There is excess distribution loss of 1.37% (6.60%-5.23%) claimed by licensee over the Trued-Up level of 2019-20.
16. Distribution loss is a controllable parameter and any relaxation in the target will affect the efficiency of the licensee. Considering the COVID 19 pandemic, the Commission hereby approves distribution loss of 5.23% for the year 2020-21 as it was allowed in previous year and directs that the licensee to take appropriate action to maintain the distribution loss at an approved level.

17. As per the provisions of the Tariff Regulations, distribution loss is a controllable performance parameter. As per regulation 72(4) of the Tariff Regulations, 2018, if actual distribution loss is higher than the approved level, the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average power purchase cost. **Hence, the Commission decides to retain the approved distribution loss of 5.23% for the purpose of truing up of accounts for 2020-21 also. Accordingly, based on the approved distribution loss, the energy requirement for the year 2020-21 is tabulated below;**

**Table- 6
Approved Energy Requirement for the year 2020-21**

	Particulars	As per Revised Calculation	Trued Up
A	Wheeled Energy- Output (in lakh units)	29.25	29.25
B	Energy sales (in lakh units)	62.10	62.10
C	Total Energy Output (in lakh units) (A+B)	91.35	91.35
D	Distribution loss (%)	6.60	5.23
E	Distribution loss (in lakh units) [C/(100-D) *D]	6.45	5.04
F	Total Energy Requirement (in lakh units) [C/(100-D) *100]	97.80	96.39
G	Wheeled Energy- Input (in lakh units)	30.57	30.57
H	Total Energy Purchased (in lakh units) (F-G)	67.23	65.82
I	Excess Distribution Loss in lakh units (67.23-65.82)		1.41

Power purchase cost

18. The power purchase cost claimed for the year 2020-21 is Rs.471.52 lakh for 67.23 lakh units which includes Rs.468.92 lakh incurred for power purchase (66.34 lakh units) from KSEB Ltd and Rs.2.60 lakh towards 0.89 lakh units solar power injected to the grid. The details of power purchase cost as per the petition is given below: -

**Table-7
Power Purchase Cost**

Source	Energy purchased (lakh units)	Fixed charge (Rs.lakh)	Energy charges (Rs.lakh)	Total cost (Rs.lakh)	Average cost (Rs./kWh)
KSEB Ltd	66.34	92.11	376.81	468.92	7.07
Solar energy from prosumers	0.89	-	2.60	2.60	2.94
Total	67.23	92.11	379.41	471.52	7.01

19. Infopark has commissioned grid tied solar plants of 105 kWp capacity consisting of 3 units with individual capacity of 25 kWp, 30 kWp and 50 kWp. The licensee has stated that the solar plant was constructed by the Infopark administration

utilising its own funds and no amount has been incurred by the distribution licensee. The electricity injected to the distribution network from the solar plants are treated as power generated by a prosumer, which is required to be dealt with as per the relevant provision of Kerala State Electricity Regulatory Commission (Renewable Energy and Net Metering) Regulation 2020.

20. The licensee further stated that, during the reported period the solar plant has generated 135632 units of energy, out of which 46956 units of energy was used for its own use for lighting of common area and yard lighting in the office premises of Infopark -phase II. The balance portion of energy of 88676 units was exported to the licensee's grid through net meter and it was sold to the consumers. Hence the total power injected to the distribution network of licensee is 67.23 lakh units. (66.34+0.89). The billing of Solar energy exported by a prosumer was taken as per the Average Pooled Purchase Cost (APPC) of Rs.2.93 per unit as for KSEB Ltd for FY 2020-21.
21. The Commission examined the submission of the licensee to approve the purchase cost for solar energy at the average power purchase cost of the licensee i.e., Rs.2.93/unit. As per the provision of Kerala State Electricity Regulatory Commission (Grid Interactive Distributed Solar Energy Systems) Regulations, 2014 (Regulation No.14 (8)), the licensee shall pay for the net electricity banked by the eligible consumer at the end of the settlement period at the APPC of electricity as approved by the Commission for that year.
22. As per the Order on ARR&ERC and Tariff Order dated 08-07-2019 pertaining to KSEB Ltd, the APPC of KSEB Ltd shall also be applicable to the distribution licensees, other than KSEB Ltd. The Commission vide Order dated 23.02.2023 had approved APPC rate for the settlement period 2020-21 as Rs.3.22/unit ***Therefore, the Commission hereby provisionally approves the solar power (0.89 lakh units) purchased from the prosumer at the rates of Rs.2.93/ units at a total cost of Rs.2.60 lakh. Also, the Commission hereby directs that the shortfall in amount shall adjust in the consumer account and to carry out necessary book adjustments with the prosumer to incorporate the solar power purchase cost in the annual financial statements and submit the necessary details with supporting documents for admitting such claims during the filing of the Truing up petition for the subsequent period.***
23. The Commission observed further that there is difference in power purchase cost accounted (Rs.468.92 lakh) by the licensee with that of the amount claimed by KSEB Ltd (Rs 467.16 lakh). The licensee vide letter dated 14.02.2023 has

submitted that the variation in power purchase cost is that of Cherthala. As per submission of Infopark, the power purchase cost of Cherthala is Rs.57.89 lakh whereas as per KSEB records, it is Rs.57.91 lakh. It was submitted that the difference is due to inclusion of the amount of Rs. 0.023 lakh as Tax Collected at Source (TCS) by KSEB Ltd in power purchase cost. The licensee has not included value of the TCS to Power purchase cost since the same is refundable/can be adjusted against the tax payable by Infopark and is not an expense.

24. In Phase-II Kakkanad, Rs.411.03 lakh is the Power purchase cost as per the records of Infopark whereas as per KSEB records it is Rs.409.25 lakh. The difference is due to (i) non-accounting of Rs. 0.15 lakh by Infopark being Tax Collected at Source (since it is not an expense of Infopark) and (ii) accounting of Rs.1.92 lakh as power purchase cost in the month of April, 2020, which was omitted to account in the month of March 2020.

25. Since the licensee has not claimed the expense of Rs.1.92 lakh during the truing up of 2019-20, the Commission considers allowing the expense of Rs 1.92 lakh as prior period power purchase cost, instead of showing it as current year (2020-21) power purchase cost.

26. The total power purchase cost of Rs 471.52 lakh claimed by the licensee for the year 2020-21 includes the above stated prior period expense of Rs 1.92 lakh. As per the provisions of clause 72(4) of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018, the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average cost of power purchase. Accordingly, based on the approved distribution loss of 5.23%, the power purchase cost approved for the year 2020-21, including the prior period expense is worked out to Rs 461.68 lakh, as shown below;

Table 8
Approved power purchase cost 2020-21

1	Actual Energy purchase (lakh units)	67.23
2	Approved Energy purchase (lakh units)	65.82
3	Excess distribution loss (lakh units) (1)-(2)	1.41
4	Average power purchase cost (Rs. / per unit) [(ie 471.52-1.92/67.23)]	6.98
5	Excess power purchase cost to be deducted (Rs. lakh) (4) * (3)	9.84
6	Actual cost of power purchase (Rs.lakh)	471.52
7	Approved Power purchase cost (Rs. lakh) (6-5)	461.68

27. Accordingly, the Commission hereby approves Rs 459.76 lakh as power purchase cost for the year 2020-21 and Rs.1.92 lakh as prior period expense (total Rs.461.68 lakh).

Operation & Maintenance Expenses

28. As per Regulation 12(2) of the Tariff Regulations 2018, the Operation and Maintenance expenses are controllable expenses. Further, as per Regulation 79(9) of Tariff Regulations 2018, Infopark shall be allowed to recover Operation & Maintenance expenses as per the norms specified in Annexure-IX to the Regulations for each year of the Control Period. The Operation & Maintenance Expense of the licensee as per the Regulation for the year 2020-21 is Rs.47.22 lakh. Against this, the licensee has claimed Rs.50.81 lakh. Item wise comparison of the claim made by the licensee for 2020- 21, amount approved in Truing Up Order for 2019-20 and that of the amount approved in the ARR&ERC Order dated 26.08.2019 are as follows;

Table-9
Comparison of the O&M expenses for 2019-20 and 2020-21 (Rs. Lakh)

Particulars	2019-20			2020-21	
	ARR Order (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Order (Rs. lakh)	Truing Up Petition (Rs. lakh)
Employee Cost	12.17	12.98	11.80	12.76	11.16
R&M Expenses	21.09	30.09	30.09	22.11	37.44
A &G Expenses	11.78	12.41	6.16	12.35	2.21
Total	45.04	55.48	48.05	47.22	50.81

Employee cost

29. The employee cost claimed by the licensee for the year 2020-21 is Rs.11.16 lakh which is the expense towards the salary of a resident engineer and an accountant who are common for Kakkanad and Cherthala. The comparison of the claims made in 2019-20 and 2020-21 is tabulated below.

Table-10
Comparison of the Employee expenses for 2019-20 and 2020-21 (Rs. lakh)

Particulars	2019-20		2020-21	
	As per Truing Up Petition	Trued Up	ARR Order	As per Truing Up Petition
Basic Salary	8.40	11.80	12.76	10.43
Dearness Allowance (DA)	1.68			-
House Rent Allowance	0.44			-
Conveyance Allowance	0.08			-
Earned Leave Encashment	1.26			0.73
Other Allowances	0.85			-
Interim Relief/wage Revision	0.25			-
Total	12.98			11.80

30. The licensee has stated that only half salary of the accountant has been claimed as the expenditure for the distribution business. Commission while approving the ARR had allowed Rs.12.76 lakh as the employee cost for the year. The employee cost claimed for the year 2020-21 is lower than the claim in the previous year. The licensee has also submitted the employee wise details of cost as shown below;

Table 11
Split up of actual employee cost for 2020-21

S.N	Particulars	Amount
1	Resident Engineer - Cherthala	Rs. 57,788 X 12= Rs. 6,93,454
2	Accountant	Rs. 70,403 X 12 = Rs. 8,44,842
3	Half salary of accountant	Rs. 4,22,421
4	Employee cost Considered	Rs. 11,15,875 (1+3)

31. ***After considering the above details and the fact that the licensee has reduced the employee cost, the Commission hereby approves the actual employee cost of Rs. 11.16 lakh for the year 2020-21.***

Repair and Maintenance Expenses

32. The licensee has claimed Rs.37.44 lakh towards R&M expenses for the year 2020-21 as against Rs.22.11 lakh specified in the Tariff Regulations, 2018. Details are as follows;

Table 12
R&M expenses for the years of 2019-20 and 2020-21

Particulars	2019-20			2020-21	
	ARR Order/ Regulations (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Order/ Regulations (Rs. lakh)	Truing Up Petition (Rs. lakh)
R&M Expenses	21.09	30.09	30.09	22.11	37.44
Total	21.09	30.09	30.09	22.11	37.44

33. The actual R&M expense of Rs.37.44 lakh includes the O&M cost of the outsourced agency and the repair and maintenance charges. As per details submitted in the petition, Rs.9.49 lakh is the O&M charges for Cherthala area and Rs. 27.95 lakh is the O&M charges for Kakkanad area. The licensee has stated that operating staff is engaged round the clock and the same employees are doing the preventive and break down maintenance.

34. The licensee in the petition has stated that one additional shift assistant was arranged during the period to look after the distribution system in Infopark Phase II. It was further stated that there was no change in staff at Cherthala location. The licensee has submitted the staffing pattern at 220kV substation.

- a. 220kV substation operator – 1 staff in each shift (total 3 persons/shifts of 8 hour duration)
- b. One shift assistant in substation - 1 staff each shift (3 persons/shifts of 8 hour duration)

35. The licensee has stated that during 2020-21, one additional person was appointed to look after the distribution related activities and billing support. The licensee has submitted the month wise split up of the R&M expense incurred for 2020-21, which is tabulated below;

Table 13
Month wise split up of R&M expenses for the 2020-21

Month	110kV Operator	220kV Operator	Shift Assistant	Remarks
April 20	72416	70080	158940	Contract with M/s.Voltas Ltd.
May 20	70080	70080	158941	
Jun-20	70080	29641	173951	
Jul-20	70080	70080	158940	
Aug-20	70080	70080	158940	
Sept-20	70080	70080	158940	
Oct-20	70080	70080	158940	
Nov-20	74752	73195	185430	
Dec-20	80501	80501	161659	Contract changed to M/s.Sterling & Wilson Pvt. Ltd.
Jan-21	96094	90270	137718	
Feb-21	103166	96718	160671	
Mar-21	101918	90270	138458	
Total	949326	881075	1911528	Grand Total =37,41,929

36. Commission has analysed the split up details submitted by the licensee and it is seen that there are two outsourced agency during 2020-21 namely M/s Voltas Limited and M/s Sterling & Wilson Private Limited. It is seen that there are variations in the month on month expense booked, which lacks clarity. It is pertinent to note that there is significant increase in the R&M expense compared to the previous year. Commission while trying up the accounts for 2019-20 had

approved the actual expense of Rs.30.09 lakh stating the reason that the outsourced agency has been selected through competitive bidding process.

37. Further the licensee stated that one more person was engaged to look after the distribution related activities and billing support, which is the main reason for increase in R&M cost during 2020-21. His services were also used to monitor the client premises. This new engagement was neither against any approved/sanctioned post nor through actual staff recruitment. Instead, the shift assistant was deputed on work arrangement basis from other non-license areas of parent organization.

38. After considering the above statements made by the licensee, the considered view of the Commission is that increase in R&M expense claimed by the licensee lacks justification and the claim is not admissible due to the following reasons;

- a. The new engagement was neither against any approved/sanctioned post nor through actual staff recruitment.
- b. The work arrangement made by the licensee is not a new appointment, but an engagement to look after the distribution related activities and billing support. However it is not identifiable from the records/details furnished and also a work arrangement cannot be a reason for an increase in the total R&M expense.

39. Commission in the Tariff Regulations, 2018 has approved an amount of Rs.22.11 lakh as R&M expense for the year considering an escalation rate of 4.84% to the previous year. Since the actual expense claimed for 2020-21 is significantly high and the licensee has not submitted proper explanation for the increase in the R&M compared to the previous year, the Commission hereby the R&M expense allowed in the previous year, Rs.30.09 lakh with an escalation rate of 4.84% for the year 2020-21. **Accordingly, an amount of Rs.31.55 lakh (considering the escalation rate to the previous year trued up amount) is approved for the year 2020-21.**

A&G Expenses

40. The A & G expense claimed for the year 2020-21 is Rs.2.21 lakh as against Rs.12.35 lakh approved in the ARR Order. During 2019-20 the claim made by the licensee was Rs.12.41 lakh. The details of A&G expenses for the year is shown below.

Table 14

Administrative & General Expenses for the year 2019-20 and 2020-21(Rs. lakh)

Particulars	2019-20 As per Truing Up Petition	2019-20 Trued Up	2020-21 As per Truing Up Petition
Insurance	-	-	0.60
Statutory Fees	4.74	4.74	-
Telephone and postage etc.	0.23	0.23	0.22
Audit Fees	0.18	0.18	0.50
Vehicle Hiring Expenses Truck/ Delivery Van	0.69	0.69	0.69
Printing and Stationery	0.32	0.32	0.19
Coveyance	0.00	0.00	0.01
Sports and Related Activities	0.00	0.00	-
Electricity Charges	6.25	-	-
Total	12.41	6.12	2.21

41. The licensee during 2019-20 had claimed an amount of Rs.6.25 lakh as notional electricity charges towards auxiliary consumption of transformers of 220 KV substation at Kakkanad, 110 KV substation at Cherthala and other downstream equipments. The Commission disallowed the above notional accounting in the truing up order for the year 2019-20. The licensee has not claimed the same in the current petition. For the year 2020-21, the licensee has claimed only the relevant A&G expenses amounting to Rs.2.21 lakh.

42. The Commission hereby approves the actual A&G expenses of Rs.2.21 lakh for the year 2020-21.

O&M Expenses Approved

43. The O&M expense, which is inclusive of Employee costs, R&M expenses, and A&G expenses, approved by the Commission for the year 2020-21, is as shown in Table below.

**Table 15
O&M Expenses approved for 2020-21 (Rs. lakh)**

Particulars	2020-21		
	ARR Order	Truing UpPetition	Trued Up
Employee Cost	12.76	11.16	11.16
R&M Expenses	22.11	37.44	31.55
A &G Expenses	12.35	2.21	2.21
Total	47.22	50.81	44.92

44. The Commission hereby approves the actual O&M expenses of Rs. 44.92 lakh for the period 2020-21 against Rs.50.81 lakh claimed in the petition.

Depreciation

45. Commission while issuing the Order in OP 17 / 2021 on capital expenditure had disallowed depreciation and other claims on capital expenditure of Rs.4311.95 lakh incurred for Kakkanad Phase II due to the reason that expenditure was met out of Government grant. The Commission also had in the said order approved Rs. 967.93 lakh towards capital expenditure incurred for Cherthala area.

46. The depreciation claimed by the licensee in the petition for Truing Up of Accounts for the year 2020-21 is Rs. 44.52 lakh. The depreciation claimed is under straight line method for the total assets of Rs.967.93 lakh, for which the Commission has granted approval. During 2020-21, no additional capital expenditure has been incurred by the licensee. Details of the claim is shown below.

Table-16
Depreciation claimed for the year 2020-21 at Cherthala Phase

Assets group	Rate of depreciation (%)	GFA beginning of the year (Rs. lakh)	2020-21 (Rs. lakh)
Other Civil works	3.34%	186.94	6.24
HV Distribution System			
Transformers	5.28%	180.30	9.52
Switchgears, Control gear & Protection	5.28%	288.03	15.21
Batteries	5.28%	13.45	0.71
Others	3.34%	52.70	1.76
LT Distribution System			
Distribution lines	5.28%	14.61	0.77
Transformers	5.28%	20.26	1.07
Switchgears, Control gear & Protection	5.28%	110.00	5.81
Batteries	5.28%	1.67	0.09
Others	3.34%	99.97	3.34
Total		967.93	44.52
Land and land rights	NA	150.00	0.00
Grand Total		1117.93	44.52

47. Considering that there is no asset additions during the year and the licensee has claimed depreciation in line with the Tariff Regulations, 2018, **Commission hereby approves Rs.44.52 lakh as depreciation for the year 2020-21**

Interest and Finance Charges

48. The licensee has claimed Interest and finance charges of Rs. 65.53 lakh which includes interest on normative loan of Rs.59.49 lakh, interest on security deposit of Rs.5.22 lakh and Rs. 0.82 lakh towards bank charges.

Table 17
Comparison of Interest and Finance Charges for 2019-20 and 2020-21 (Rs. lakh)

Particulars	2019-20			2020-21	
	Approved in ARR	As per Truing Up Petition	Trued Up	Approved in ARR	As per Truing Up Petition
Interest on Normative Loan	-	0.00	69.44	-	59.49
Interest paid to KSEB Ltd,	-	0.11	0.11	-	-
Interest paid to Consumers	1.45	5.46	5.46	1.60	5.22
Bank charges	0.80	0.53	0.53	0.83	0.82
Interest on Working Capital	-	3.40	3.51	-	-
Sub Total	2.25	9.50	79.05	2.43	65.53
Prior Period claim (2016-17 to 2018-19)	-	-	242.01	-	-
Interest on Normative Loan					
Total	2.25	9.50	321.08	2.43	65.53

A. Interest on Normative Loan

49. The main source of fund for the capital investment at Cherthala was met from the loan availed by Infopark from South Indian Bank Ltd at a rate of 10%. The loan was sanctioned in the year 2010-11 and the entire loan availed by Infopark was repaid by 21st July 2017, using internal funds including lease rentals. As per Regulation 29(4) of Tariff Regulations 2018, the rate of interest shall be the weighted average rate calculated on the basis of the actual loan portfolio at the beginning of each financial year. Further, provided that if the regulated business of the licensee does not have actual loan, but normative loan is outstanding, then interest shall be allowed at the base rate.

50. Commission while issuing the order on truing up of accounts for the year 2019-20 had taken a considered decision that the licensee is eligible to claim interest on normative loan for the value of assets created at Cherthala as per Regulation 26 of the Tariff Regulations, 2018. Accordingly, the interest on normative loan approved at base rate is shown below

Table 18
Interest on Normative loan approved for 2020-21

Particulars	Rs.lakh
Opening Normative loan (A)	789.85
(Add) Addition during the year	-
(Less) Allowable depreciation/ Repayment	44.52
Closing Normative loan (B)	745.33
Average Normative Loan [(A+B)/2]	767.59
Rate of interest (%)	7.75%
Interest on Normative loan	59.49

*SBI 1-year MCLR of 7.75% on 01-04-2020

51. *Based on the above working, the Commission hereby approves an interest on loan of Rs.59.49 lakh for the year 2020-21.*

B. Interest on security deposits and Bank charges

52. The licensee has claimed an amount of Rs.5.22 lakh as the interest on security deposit and Rs. 0.82 lakh towards bank charges for the year 2020-21. The details of the claim made by the licensee for the year 2019-20 and 2020-21 are given below.

**Table 19
Details of Interest and Finance Charges**

Particulars	2019-20		2020-21
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Interest paid to KSEB Ltd	0.11	0.11	-
Interest paid to Consumers	5.46	5.46	5.22
Bank charges	0.53	0.53	0.82
Total	6.10	6.10	6.04

53. *The Commission examined the above submission in detail and approves Rs.6.04 lakh as claimed by the licensee towards the Interest on security deposits and Bank charges.*

54. *Accordingly, the total interest and finance charges approved for the year 2020-21 is Rs.65.53 lakh. Details are as shown below;*

**Table 20
Approved Interest and Finance Charges for 2020-21**

Particulars	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Interest on Normative Loan	59.49	59.49
Interest paid to Consumers	5.22	5.22
Bank charges	0.82	0.82
Total	65.53	65.53

Return on Net Fixed Assets

55. The licensee in the petition for Truing up of accounts for the year 2020-21 has claimed an amount of Rs.23.70 lakh as Return on Net Fixed Assets. The licensee has reckoned 3% of the value of net fixed assets at the beginning of the year (Rs.789.86 lakh x 3%). The Commission while approving the truing up of accounts in 2019-20 had allowed RoNFA of Rs.25.03 lakh in accordance with

the provisions of the Regulations. Commission notes that the licensee has obtained approval for capital investments vide order dated 09.08.2021 in OP No.17/2021.

56. As per Regulation 28 of Tariff Regulations, 2018, if the equity capital of the licensee cannot be identifiable, the return shall be allowed at three percent on the net fixed assets at the beginning of the financial year for such regulated business. **Accordingly, the Commission hereby approves Return on Net Fixed Assets of Rs. 23.70 lakh for the year 2020-21**

Table 21
Return on NFA approved for 2020-21 (Rs. lakh)

Particulars	Amount
Opening Gross Fixed Assets	967.93
Opening Cumulative Depreciation	178.08
Opening NFA	789.85
Return on NFA@3%	23.70

Revenue from Sale of Power

57. The licensee in the petition has claimed an amount of Rs.557.91 lakh as revenue for the sale of 62.10 lakh units. The Commission while trying up the accounts for the year 2019-20 had approved a sale of 90.65 lakh units and revenue of Rs.728.98 lakhs. As per the petition, major share of revenue from sale of power is from HT I B and Industrial category, which consists of 111 consumers. Category wise comparison of the revenue from sale of power for the years 2019-20 and 2020-21 are as shown below.

Table-22
Comparison of Revenue from Sale of Power for 2019-20 and 2020-21

Category	2019-20			2020-21		
	Consumers	Sale (Units in lakhs)	Revenue from Sale of Power (Rs. lakh)	Consumers	Sale (Units in lakhs)	Revenue from Sale of Power (Rs. lakh)
Industrial	76	13.59	100.82	107	12.99	110.31
Commercial	20	1.91	28.09	22	2.66	31.36
Street Lighting	2	1.67	6.98	2	1.56	6.74
HT 1 B	4	73.48	593.09	4	44.89	409.50
Total	102	90.65	728.98	135	62.10	557.91

58. Compared to the previous year, there is significant decrease in the sales and revenue which is due to COVID 19 and the change in the consumption pattern. Considering the actual revenue realized for the year 2020-21, **the Commission hereby approves Rs.557.91 lakh as the revenue from sale of power.**

Wheeling charges

59. The licensee has accounted Rs.16.81 lakh as wheeling charges from M/s Smart City. The total energy wheeled to Smart City is 30.57 lakh units. During 2019-20 the licensee had claimed Rs.14.60 lakh for 26.55 lakh units as wheeling charge. Commission had approved the claim in 2019-20.

60. Commission has verified the claim of the licensee with that of M/s Smart and has seen that the same amount has been booked by Smart City as part of power purchase cost for the year 2020-21. **Accordingly, the Commission approves Rs.16.81 lakh as the wheeling charge for the year 2020-21**

Non-tariff income

61. The Non-tariff income claimed by the licensee is Rs.4.83 lakh which includes interest on deposits, interest on delayed payments and meter rent. In the petition, the licensee has claimed non-tariff income higher than the previous year. The Commission while truing up the accounts in 2019-20 had approved Rs.4.20 lakh. The split-up details of non-Tariff income are shown below.

Table 23
Comparison of Non-Tariff Income

Particulars	2019-20	2020-21
	Trued Up (Rs. Lakh)	For Truing Up (Rs. Lakh)
Interest on investments, fixed and call deposits and bank balances	1.45	2.00
Interest Received from others (KSEB Ltd)	1.67	2.53
Interest on delayed or deferred payment of bills	0.11	-
Meter Cost	0.28	0.23
Meter Installation Charge	0.21	0.08
Application Fee	0.48	-
Others	-	-
Total	4.20	4.83

62. Commission considers the claims and **approves Rs.4.83 lakh as actual non-tariff income for the year 2020-21.**

63. Based on the above, the approved expenditure and revenue for the year 2020-21 after Truing Up is as shown below:

Table 24
Income and Expenditure Statement after Truing Up for 2020-21

Particulars	2020-21		
	ARR Order (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Power Purchase Cost	1097.98	471.52	459.76
Prior period Power Purchase Cost	-	-	1.92
Employee Cost	47.22	11.16	11.16
R&M Expenses		37.44	31.55
A &G Expenses		2.21	2.21
Depreciation	-	44.52	44.52
Interest and Finance Charges	2.34	65.53	65.53
Return on NFA	-	23.70	23.70
Total Expenditure	1147.54	656.08	640.35
Revenue from Sale of Power	1249.91	557.91	557.91
Other Income	4.44	4.83	4.83
Wheeling Charges	-	16.81	16.81
Total Income	1254.35	579.55	579.55
Net Surplus/(Deficit)	106.81	(76.53)	(60.80)

Revenue (Gap)/Surplus for 2020-21

64. As against the approved Revenue surplus of Rs.106.81 lakh for the year 2020-21, the licensee in the petition for Truing Up of Accounts has claimed a Revenue Gap of Rs.76.53 lakh. After examining the petition, details briefed during the hearing, the clarifications submitted, the approved Revenue (Gap)/ Surplus for the year 2020-21 after Truing Up the accounts is as shown below.

Table 25
Revenue (Gap)/ Surplus Approved for the year 2020-21

Particulars	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs.lakh)
Total Income	1254.35	579.55	579.55
Total Expenditure	1147.54	656.08	640.35
Revenue (Gap)/Surplus	106.81	(76.53)	(60.80)

Orders of the Commission

65. The Commission after considering the petition filed by M/s. Infopark for Truing Up of Accounts for the year 2020-21, views presented by the licensee during the hearing and the clarifications and details provided by the licensee approves the following:

- a) Total income is Rs. 579.55 lakh**
- b) Total expenditure is Rs. 640.35 lakh**
- c) The revenue gap for the year 2020-21 is Rs. 60.80 lakh**
- d) Total cumulative revenue gap till 2020-21 will be Rs.725.64 lakh
(Rs.664.84. lakh as opening cumulative revenue gap + current
year revenue gap of Rs.60.80 lakh)**

Directives

66. The Commission issues the following directives for compliance by the licensee

- i. The licensee shall make sure that the infrastructure created are utilized at optimum level in order to make the licensee's operations more cost effective
- ii. Action should be taken to limit the distribution loss at approved level (Para 16)
- iii. The shortfall in the amount booked with regard to solar purchase cost shall be adjusted in the consumer account and necessary book adjustments with the prosumer shall be carried out to incorporate the solar power purchase cost in the annual financial statements. The licensee is to submit the necessary details with supporting documents. (Para 22)

67. The petition is disposed of. Ordered accordingly.

Sd/-
Sri. B. Pradeep
Member

Sd/-
Adv. A. J. Wilson
Member

Sd/-
Sri. T.K Jose
Chairman

Approved for issue
Sd/-
C.R.Satheesh Chandran
Secretary