

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Petition No: OP 14/2023

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

In the matter of : Petition filed by M/s KINESCO Power and Utilities Private Limited for approval of ARR & ERC for the Control Period 2022-23 to 2026-27

Petitioner : M/s KINESCO Power and Utilities Private Limited

Represented by : Sri. Ajith Kumar T.N, CEO, KPUPL
Sri. S. N. Ashok Kumar, Manager (Finance), KPUPL
Smt. Sreedevi.S, Assistant Manager (Finance), KPUPL
Sri. Sajeev M.S., Resident Engineer, KPUPL

Respondent : M/s Kerala State Electricity Board Limited

Represented by : Sri. Rajan, Deputy Chief Engineer, TRAC, KSEB Ltd
Sri. Ajith Kumar K.N, Executive Engineer, KSEB Ltd
Smt. Biji Christudas, Assistant Engineer, KSEB Ltd

Date of Hearing : 10.03.2023 at the Conference Hall , KPUPL

Daily Order Dated 15.03.2023

1. M/s KINESCO Power and Utilities Private Limited (hereinafter referred to as KPUPL or licensee or the petitioner) is a 100% subsidiary of KINFRA which was earlier a joint venture between KINFRA and NESCL and constituted originally for the electric supply to the units in industrial parks under KINFRA. Before the formation of KPUPL, the electricity distribution licence was in the name of KINFRA Export Promotion Industrial Park (KEPIP) and this licence was transferred to the name of KPUPL on its formation by transferring the electricity distribution assets of KEPIP to KPUPL. The service area of the distribution licensee consists of four industrial parks of KINFRA and are (1) KEPIP Kakkanad, (2) Hi- Tech Park Kalamassery, (3) KIITP

Kanjikode and (4) KINFRA Mega Food Park Kozhipara, Kanjikode

2. The licensee has filed the present petition for the approval of ARR & ERC for the Control Period 2022-23 to 2026-27 as per the provisions of Tariff Regulations 2021. The licensee has submitted details based on the revised Tariff Order issued by the Commission vide Order dated 25.06.2022
3. The public hearing on the petition was conducted on 10-03-2023 at the Conference Hall, Office of KPUPL, Kakkanad, Kochi. The licensee was represented by Sri. Ajith Kumar T.N, CEO KPUPL, Sri. S. N. Ashok Kumar, Manager (Finance), KPUPL, Smt. Sreedevi.S, Assistant Manager (Finance), KPUPL, Sri. Sajeev M.S., Resident Engineer, KPUPL and other officers of the licensee. Sri. Rajan, Deputy Chief Engineer, TRAC, Sri. Ajith Kumar K.N, Executive Engineer and Smt. Biji Christudas, Assistant Engineer represented KSEB Ltd. The consumers in the license area also participated in the hearing. Sri. Sajeev M.S presented the petition before the Commission and clarified the queries of the Commission.
4. The main points of the petition for approval of ARR & ERC are briefed below.
 - The licensee has projected increase in the number of consumers and sales for the control period. The licensee has stated that growth is expected during the control period considering additional load expected from new consumers at Kakkanad, Kalamassery and Palakkad license areas. KPUPL has also sought for inclusion of KINFRA Petrochemical Park as an additional license area to KPUPL. The petition is under the consideration of the Commission. The energy sale to the consumers to this new license area has not been considered in the projection due to the reason that the final order has not been issued by the Commission.
 - The licensee has projected year on year fluctuation in the distribution loss.
 - Power purchase cost increases year on year, duly considering the increase in sales projected in the license areas. The licensee has also considered the solar self-generation and provision for RPO as part of power purchase cost for the Control Period.
 - The licensee submitted that O&M expenses may be allowed, as proposed in the petition. Compared to the norms prescribed in the Tariff Regulations 2021, the amount claimed is very much on the higher side.
 - With regard to employee cost, the licensee has projected year on year increase for the control period. Other than CEO, only one regular employee

has been engaged in the distribution business of KPUPL. All other technical and administrative functions are outsourced. There has been a steady increase in the connected load in all parks and the trend is expected to remain the same. Petro-chemical plant and an electronic cluster are expected to commence during the ensuing MYT period and additional cost for the same is considered as part of employee cost.

- The repair and maintenance expense projected by the licensee includes the O&M Contract outsourced for the operation and maintenance of 110 KV Substation at Kakkanad and other distribution equipments in each license area of KPUPL, which is the major portion of R&M cost. The licensee has stated that they have been strictly following the competitive tendering process for the O&M Contract. The L1 bidder has quoted 9.64% higher rate than the estimated rate for the year 2021-22.
- The A&G expenses projected by the licensee includes Insurance, Telephone & Postage, Water charges, Printing & Stationery, Office Expenses, V-sat, Internet and related charges. The major part of the A&G expenses claimed is Duty under Section 3 of the Kerala Electricity Duty Act.
- The licensee in the ARR&ERC petition has mentioned about their proposed capital investment plan for the years of the Control Period and stated that separate capital investment petition will be submitted before the Commission.
- With regard to depreciation, the licensee has stated that the depreciation has been reworked from the year 2009-10 as per the straight-line method over the useful life of the assets and the effect has been applied in the present petition. It was further stated that, the assets register and supporting documents shall be submitted before the Commission immediately.
- The licensee in the petition had claimed interest and finance charges for the loans for the years of the Control Period. The rate of interest considered for the loan is 11.50% throughout the MYT Period.
- With regard to return, the licensee had been claiming Return on Equity which is 14% on the equity capital. Now the licensee has sought for 3% return on net fixed assets.
- Increase in the revenue from sale of power and wheeling charges to M/s Nitta Gelatin has been projected for the control period.
- With regard to Non-Tariff Income, major part is from the interest received from Security deposit with KSEB Ltd and interest on FD. The income from interest on delayed or deferred payment of bills are reducing year on year. The licensee expects the bill payment by consumers to be more regular and

- income would progressively get reduced.
- Accordingly, in the petition, the licensee has projected revenue gap for each year of the Control Period.
5. Sri. Rajan, Deputy Chief Engineer, TRAC, Sri. Ajith Kumar K.N, Executive Engineer and Smt. Biji Christudas represented KSEB Ltd. Smt. Biji Christudas submitted the views of KSEB Ltd on the petition and submitted that the written comments shall be furnished subsequently.
 6. After hearing the licensee and the respondent, the Commission sought for the following clarifications;
 - a) Revenue from sale of power includes Meter rent from consumers and Miscellaneous Charges from consumers, which should have been correctly shown under Non-Tariff Income.
 - b) There is a slight variation between energy sales forecasted and energy sales considered for distribution loss in the Control Period.
 - c) In the year 2021-22, the licensee claimed purchase of 0.795 lakh units of solar power from consumers (Installed capacity 1.414 kWp). But in subsequent years, the same is not considered in the petitions.
 - d) In 2019-20 Truing Up Order, the Commission decided to defer the approval of depreciation for the year 2019-20 and directed vide Order dated 18.02.2022 the licensee to submit the complete assets details i.e., name of assets, year of acquisition, cost, accumulated depreciation etc within 3 months of the date of issue of the Order. The licensee has not yet complied with the directions.
 7. The Commission directed KPUPL to submit reply to the clarifications sought and to file the petition for approval of Capital Expenditure for the years of the Control Period at the earliest. The petition for approval for capital investment shall contain detailed project report with cost benefit analysis, necessity of the investment, cost estimate and source of funding with necessary supporting documents to substantiate the investment. KSEB Ltd was directed to submit their opinion/stand with regard to KSEB Ltd meeting the RPO and their written comments on the petition. KPUPL shall submit their counter, if any on the comments of KSEB Ltd.

8. The details shall be furnished on or before 24.03.2023. In case submission of details are not made within the date stipulated, the Commission shall presume that the licensee has no further submissions to make and the Order shall be finalized accordingly.

Sd/-
Sri. B. Pradeep
Member

Sd/-
Adv. A. J. Wilson
Member

Sd/-
Sri. T.K Jose
Chairman

Approved for Issue

Sd/-

Secretary