

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**  
**THIRUVANANTHAPURAM**

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

**OA 08/2019**

**In the matter of** Application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Cochin Special Economic Zone Authority(CSEZA)

**Applicant(s)** : Cochin Special Economic Zone Authority  
Ministry of Commerce and Industry,  
Government of India,  
Kakkanad  
Cochin 682037

**Applicant(s) represented :** Sri. D.V.Swamy, Development Commissioner  
Sri. Saju.K.Surendran Dy. Development Commissioner  
Sri. K.C.Ramakrishnan, Secretary, CSEZA  
Sri.K.C.Seetharaman,Chartered Accountant  
Sri. Krishna Varma, Consultant, CSEZA

**Daily Order dated 16-04-2019**

Conducted public hearing on the application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Cochin Special Economic Zone Authority (CSEZA) at the office of the CSEZA on 03-04-2019. The licensee was represented by Sri. D.V.Swamy, Development Commissioner, Sri. Saju.K.Surendran, Dy. Development Commissioner, Sri. K.C.Ramakrishnan, Secretary, CSEZA, Sri.K.C.Seetharaman, Chartered Accountant, Sri. Krishna Varma, Consultant, CSEZA and other officers of the licensee. Sri.K.C.Seetharaman presented the details of the application and responded to the queries of the Commission. The main points submitted in the petition are briefed below.

- CSEZA stated that the projections for each year of the control period are based on the actual status as on October 2018.
- For the year 2018-19, the proposed sale is 55.48 MU. The sales projected for the subsequent years of the control period is 56.32 MU for 2019-20 & 57.36 MU for 2020-21 & 2021-22. CSEZA has assumed 1.5% increase in sale to arrive at the sale for the year 2019-20 and 1.83% for the year 2020-21. The licensee has estimated a distribution loss reduction target from 1.84% in 2018-19 to 1.73% in 2021-22.

- O&M includes controllable expenses like Employee cost, R&M Expenses & A&G Expenses. The total O&M expenses projected is lower than the ceiling norms approved by the Commission
- The employee cost projected for the control period is lower than the ceiling norms approved by the Commission. The major claim under employee cost is the charges of the O&M agency. CSEZA has projected a 10% increase for 2018-19 & 2019-20 and a 5% increase for 2020-21 & 2021-22.
- The R&M Expenses projected by the licensee for each year of the control period is higher than the ceiling norms which is decreasing year after year.
- The licensee has projected the A&G expenses higher than the normative amount approved by the Commission for the year 2018-19, whereas the expenses is lower for the subsequent years of the control period. The licensee has stated that the amount projected is exclusively for power distribution business. The A & G Expenses proposed includes rent, rates and taxes, telephone, postage, audit charge, stationery, internet, statutory, professional charges and license fee.
- The licensee has proposed a capital investment of Rs.338.01 lakh for the control period which includes the cost of Rs.230.00 lakh for the supply installation Testing & Commissioning of new 400 kWp Grid Tied Solar Plant. It was informed that CSEZA has decided to revise the proposal with 600 kWp Grid Tied Solar Plant and the details shall be submitted before the Commission.
- Depreciation has been claimed under the straight line method as per the schedule prescribed in the Tariff Regulations 2018 considering the capital expenditure for each year of the control period.
- The licensee has claimed Return on net fixed assets as a rate of 3%.
- The revenue for the control period is projected considering only a minor increase in the number of consumers and the sales at the prevailing tariff rates. The Non Tariff Income proposed includes interest on investments, fixed and call deposits and bank balances, interest on advances, miscellaneous receipts, commission for collection of electricity duty and meter/service line rentals.

Sri.A.R.Satheesh, representing CEPZIA submitted their comments on the ARR&ERC petition filed by CSEZA. The major point submitted was with regard to the over billing the consumers due to the wrong computation reporting of the distribution loss due to metering error. He prayed that the Commission may issue direction to CSEZA to pay back the excess amount collected during 2008 to 2014 due to metering error.

The other points submitted are abstracted below.

- Allow the O&M expenses, Depreciation, RoE based on the Tariff Regulations, 2018
- Introduce power factor incentive to the licensee or to introduce kVAh billing.
- Requested the Commission to intervene and allow SEZ to source Open Access power through Energy Exchange or short term/ medium term market.
- Fix the distribution loss target with a minimum reduction of 10% for the level approved by the Commission, based on the lowest monthly value achieved in 2018-19.
- To determine separate RST for all the licensees rather than uniform RST across the state.

Sri.K.K.Pillai, President of CEPZIA pointed out that reliable power without interruptions may be provided to the consumers of CSEZA. It was requested that the maintenance works of the distribution system may be done during holidays than opting the same to be done on working days.

Sri.Bipin Shankar, Deputy Chief Engineer TRAC and Sri. Ajith Kumar.G, DAO, TRAC represented KSEB Ltd. Sri.Bipin Shankar presented the counter statement/comments of KSEB Ltd. and stated that the written remarks on the application will be submitted subsequently. The major points presented by KSEB Ltd are abstracted below.

- The projection made in increase in sales is meager and the same does not seem realistic.
- With regard to the O&M expenses, it was submitted that the norms approved by the Commission in the Tariff Regulations, 2018 are on the higher side when compared to the projections made by the licensee. It was stated that same may be considered while approving the ARR & ERC for the control period.
- The other income is seen reducing for the control period which may be analysed in detail prior to the approval of the ARR & ERC for the control period.
- It was also submitted that, as CSEZA is formed with the grant from Government of India, the proposal for allowing depreciation is to be reconsidered.
- Prior approval of capital expenditure is required as per the regulations.

The Commission during the hearing sought clarifications on the petition and directed the licensee to submit the following:

- The copy of the report submitted by the Kerala State Productivity Council on the study conducted for reduction of distribution loss.
- Steps initiated by CSEZA based on the report to reduce distribution loss.
- The revised need based capital investment proposal is to be furnished.
- Revised detailed project report on the Grid Tied Solar Plant is to be furnished.

The licensee shall furnish the reply on the counter statement submitted by KSEB Ltd and the details called for by the Commission, on or before 29-04-2019.

Hearing concluded. Reserved for orders.

Sd/-  
**K.Vikraman Nair**  
**Member**

Sd/-  
**Preman Dinaraj**  
**Chairman**

Approved for issue  
Sd/-  
**G.Jyothichudan**  
**Secretary**