

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

**Petition No: OP 31 / 2023**

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

**In the matter of :** Petition for approval of truing up of accounts for the financial year 2021-22

**Petitioner :** M/s Cochin Special Economic Zone Authority

**Represented by :** Sri. Pramodu S, Secretary in Charge, CSEZA  
Sri. K. C Seetharaman, Consultant, CSEZA  
Sri. Krishna Varma K, Consultant, CSEZA

**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  
Sri. Shine Raj, Assistant Engineer, KSEB Ltd

**Hearing: :** 05.07.2023 at the Court Hall,  
Office of the Commission

**Order Dated 25.10.2023**

1. M/s Cochin Special Economic Zone Authority (hereinafter referred to as CSEZA or the licensee or the petitioner) is a government owned Special Economic Zone, under the Ministry of Commerce and Industry, Department of Commerce, Government of India. Cochin Special Economic Zone Authority (CSEZA) constituted under the SEZ Act 2005, is the developer of the Zone providing infrastructure and other related services to the Zone. The Zone comprises 105 acres of land in Kakkanad, Kochi.
2. The licensee has filed the petition for the Truing Up of accounts for the financial year 2021-22 (Fourth year of the Control period 2018-19 to 2021-22). The licensee has also submitted its accounts for the year 2021-22 audited by C&AG along with the petition. The Commission had approved the ARR&ERC for the year 2021-22 vide Order dated 02-12-2019 in OA 08/2019 with a revenue surplus of Rs.78.61 lakh. In the petition for the Truing Up of accounts for 2021-22, the licensee has arrived at a revenue surplus of Rs.3.55 lakh. A comparison of the figures for the year 2020-21 & 2021-22 is tabulated hereunder. –

**Table 1**  
**Comparison of ARR&ERC for the period 2020-21 and 2021-22**

Particulars	2020-21			2021-22		
	Approved in ARR (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Approved in ARR (Rs. lakh) (A)	Truing Up Petition (Rs. lakh) (B)	Difference (B) – (A)
Purchase of Power	3619.16	3167.46	3169.77	3622.68	3431.01	-191.67
R&M Expenses	211.24	8.95	201.68	8.81	13.86	5.05
Employee Cost		137.93		181.88	100.36	-81.52
A &G Expenses		35.69		30.77	170.74	139.97
Depreciation	72.03	96.47	36.65	72.03	97.88	25.85
Return on NFA	21.86	34.85	15.73	21.86	42.20	20.34
<b>Total Expenditure</b>	<b>3924.29</b>	<b>3481.35</b>	<b>3423.83</b>	<b>3938.03</b>	<b>3856.50</b>	<b>-81.53</b>
Revenue from Sale of Power	3887.85	3553.40	3553.40	3887.85	3774.95	-112.90
Other Income	120.95	97.05	100.19	128.79	84.65	-44.14
<b>Total Income</b>	<b>4008.80</b>	<b>3650.45</b>	<b>3653.59</b>	<b>4016.64</b>	<b>3859.60</b>	<b>-157.04</b>
<b>Net Surplus/(Deficit)</b>	<b>84.51</b>	<b>169.10</b>	<b>229.76</b>	<b>78.61</b>	<b>3.55</b>	<b>-75.06</b>

3. After examining the petition, the Commission vide letter dated 22-06-2023 sought clarifications to the licensee. The licensee has furnished the details vide letter dated 28-06-2023. The Commission admitted the petition as OP No. 31/2023.

#### **Public Hearing on the Petition**

4. The hearing on the petition for the Truing Up of Accounts for the year 2021-22 was conducted at the Court Hall, Office of the Commission on 05-07-2023. The petitioner, M/s Cochin Special Economic Zone Authority was represented by Sri. Pramodu S, Secretary-in-Charge, CSEZA, Sri Seetharaman, Consultant and other consultants of CSEZA. Sri. Pramodu S, presented details on the petition and responded to the queries of the Commission. The main points made by the licensee are
- The number of consumers during the year 2021-22 is 166 and the actual sale for the year is 546.73 lakh units.
  - The energy purchased from KSEB Ltd is 540.38 lakh units and solar power injected to the grid is 14.32 lakh units. The Total energy requirement for the year 2021-22 is 554.70 lakh units
  - The overall distribution loss for the year 2021-22 is 1.44% and the actual power purchase cost for the year is Rs.3431.01 lakh.
  - The Commission while approving the norms in the Tariff Regulations 2018 had approved the Operation and Maintenance Expense at Rs.221.46 lakh. The licensee in the petition has claimed total operation and maintenance expense of Rs.284.96 lakh.

- e) The Employee cost claimed for the year 2021-22 is lower than the norms approved by the Commission. The claim for the year is Rs.100.36 lakh as against the approved employee cost of Rs.181.88 lakh.
  - f) The actual R&M expense for the year is Rs.13.86 lakh, which is higher than the approved R&M of Rs. 8.81 lakh for the year.
  - g) The A&G expenses claimed for the year is Rs.170.74 lakh as against the norm of Rs.30.77 lakh for the year 2021-22. The major amount booked under A&G expenses for the year is Rs. 134.08 lakh with regard to the excess revenue refunded to consumers. The other major expenses booked are towards rents, rates and taxes and charges for monitoring and managing prepaid metering software system. The licensee has also claimed Duty u/s 3(1) as part of A&G expenses.
  - h) The depreciation claimed for the year 2021-22 is Rs. 97.88 lakh which is in line with the Tariff Regulations 2018. The licensee has not made any asset addition during the year.
  - i) The licensee has claimed return on net fixed assets @3% i.e., Rs.42.20 lakh against the approved amount of Rs.21.86 lakh.
  - j) The total expenditure incurred in 2021-22 is Rs.3856.05 lakh.
  - k) The Revenue from the sale of 546.73 lakh units in 2021-22 is Rs.3774.95 lakh.
  - l) The Non-Tariff Income claimed by the licensee is Rs.84.65 lakh which includes interest on investments and deposits, interest on security deposit etc.
  - m) The total revenue for the year 2021-22 is Rs.3859.60 lakh.
  - n) The petition for the truing up of accounts for the year 2021-22 is submitted with a revenue gap of Rs.3.55 lakh as against Rs.78.61 lakh approved in the ARR.
5. KSEB Ltd, vide letter No. KSEBL/TRAC/AE1/CSEZA-TU 2021-22/2023-24/217 dated 07.07.2023 submitted the following comments on the petition;
- a) The licensee has claimed a distribution loss higher than the loss approved by the Commission. It was submitted that the distribution loss being a controllable item, the cost incurred for additional power purchase due to higher loss be disallowed.
  - b) O&M expenses may be limited to reasonable levels. The major amount booked is Rs. 134.08 lakh with regard to the excess revenue refunded to consumers.
  - c) Depreciation may be allowed only after prudence check of the source of funding and depreciation may be disallowed for the assets created out of consumer contribution and regulatory surplus.

- d) As the licensee has created assets from 2016-17 using their accumulated surplus, the return on NFA may not be allowed and passed on as there is no cost of funds.
- e) Prudence check to be made on all the deposits held and interest received by the licensee.
- f) The power purchase cost claimed by the licensee in the petition is Rs.3431.01 lakh and the as per KSEBL records is Rs.3431.78 lakh.
6. The Commission vide letter dated 21.07.2023 had further sought clarifications. The licensee vide letter dated 31.07.2023 submitted the reply to the clarifications sought by the Commission and their counter to the comments of KSEB Ltd.

### Analysis and decision of the Commission

7. The Commission considered the petition of the licensee for Truing Up of Accounts for the year 2021-22 along with the additional clarifications furnished by the licensee, the clarifications provided in the hearing, the comments of KSEB Ltd and counter of the licensee to the comments of KSEB Ltd. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations, 2018 on the petition for Truing Up of Accounts for the year 2021-22 are detailed below.

### Energy Sales and Number of Consumers

8. The Commission in the Order on ARR & ERC had approved the sale of power for the year 2021-22 as 573.60 lakh units. In the petition for approval of truing up of accounts for 2021-22, the licensee has claimed actual sales of 546.73 lakh units. The actual sale for the year 2020-21 was 503.57 lakh units. A comparison of the actual sale of power and category wise consumers for the year 2020-21 and 2021-22 is given below.

**Table 2**  
**Energy Sales and No. of Consumers for 2020-21 and 2021-22**

Category	Trued Up 2020-21		Truing Up Petition 2021-22	
	No of consumers	Sales In lakh Units	No of consumers	Sales In lakh Units
HT – Industrial [HT-I(A) & I(B)]	28	398.17	28	438.19
HT- Agricultural [HT-III(B)]	1	11.86	1	13.09
LT – Industrial [LT-IV(A) & IV(B)]	93	87.10	96	88.49
LT – Commercial [LT-VII(A)]	14	2.03	14	1.80
LT – Other categories [LT-VI(A), VI(B), VI(D), VI(F) & VIII(B)]	28	4.41	27	5.16
<b>Total</b>	<b>164</b>	<b>503.57</b>	<b>166</b>	<b>546.73</b>

9. It is seen that the major share of the sale (438.19 lakh units) is to the HT – Industrial [HT-I(A) & I(B)] category which consists of 28 consumers. Compared to the previous year, there is increase in the sales. There is increase

in the sales of other category of consumer also. The sales have started improving from the impact of COVID 19. ***After analyzing the details and duly considering the recovery from COVID 19, the Commission hereby approves the actual energy sales of 546.73 lakh units as per petition for the purpose of Truing Up of Accounts for the financial year 2021-22.***

### Energy Requirement and Distribution loss

10. As per the petition, the total energy input is 554.70 lakh units, which is inclusive of 540.38 lakh units purchased from KSEB Ltd and 14.32 lakh units generated from the solar plant. The Commission in the Order on ARR&ERC had approved 581.50 lakh units as energy requirement with 15.10 lakh units as internal solar generation and 566.40 lakh units as energy from KSEB Ltd. The licensee in the petition has claimed distribution loss for the year 2021-22 is 1.44% as against the distribution loss of 1.36% approved by the Commission in the Order on ARR&ERC. The details of the distribution loss as per the petition are as shown below.

**Table 3**  
**Comparison of Energy Requirement and Distribution Loss**

Sl no	Particulars	2020-21			2021-22	
		ARR Approved	As per Truing Up Petition	Trued Up	ARR Approved	As per Truing Up Petition
1	Energy Requirement (lakh units)					
	a) Purchase from KSEB Ltd	566.50	494.30	494.30	566.40	540.38
	b) Self-generation (Solar)	15.10	15.77	15.77	15.10	14.32
	<b>Total</b>	<b>581.60</b>	<b>510.07</b>	<b>510.07</b>	<b>581.50</b>	<b>554.70</b>
2	Energy sales (lakh units)	<b>573.60</b>	<b>503.57</b>	<b>503.57</b>	<b>573.60</b>	<b>546.73</b>
3	Distribution loss (lakh units) (1-2)	8.00	6.50	6.50	7.90	7.97
4	<b>Distribution loss (%)</b>	<b>1.38%</b>	<b>1.27%</b>	<b>1.27%</b>	<b>1.36%</b>	<b>1.44%</b>

11. The actual T&D loss during 2020-21 was only 1.27% as against the approved level of 1.38%. The Commission had considered the loss reduction achieved by the licensee and had allowed efficiency gain for the same. Now the actual distribution loss of the licensee has increased to 1.44% from 1.27% achieved by the licensee which is not a prudent practice. The licensee has stated that the low distribution loss of 1.27% of the year 2020-21 cannot be taken as the basis for fixing the distribution loss for 2021-22 due to the reason that there was abnormal load reduction and low power consumption in 2020-21 and the loss in power transformers, cables and distribution transformers was less (copper loss is proportional to Square of current drawn). However, this is not a sound rationale, as the target loss level of 1.36% was fixed for an even higher sales volume.

12. The licensee in the petition has furnished the detailed computation of the distribution loss for the year 2021-22 which is tabulated below.

**Table 4**  
**Distribution Loss Calculation for the year 2021-22**

Particulars	
There are two Nos 10/12.5 MVA 110 kV/1 1kV Power transformers operating in parallel meeting the total load.	
No Load loss of 110/11 kV 10 MVA power transformer, kW	12.2
Full Load Cu Loss 110/11 kV 10 MVA power transformer, kW	104.053
Full Load loss ( No load Loss +Cu Loss) of 110/11 kV 10 MVA power transformer, kW	116.253
Loading Profile & Copper loss	
Average loading of one 110/11 KV Power transformer, KVA	3427
Total annual Loss for 2Nos Power transformer	405253
Total power input to 110 KV side from KSEB,kWh	54038350
Internal solar power generation	1431865
Total Input Power	55470215
% Loss in 110 KV Transformers( based on total input Power)	0.73
Total Energy available for sale , kWh	55064962
Total energy sold to HT consumers	45128203
Total Energy sold to LT consumers kwh	9545278
Total Sales,kwh	54673481
loss in 11 kV cables, distribution transformers & LT side,kwh	391481
% loss in 11 kV cables, distribution transformers & LT side	0.71
% Total Distribution Loss From 110 KV incoming( KSEB) to downstream	1.44%

13. Vide clarifications dated 31.07.2023 submitted by the licensee, it is stated that the Kerala State Productivity Council (KSPC) had conducted an Energy Audit of CSEZA for FY 2021-22 and they have confirmed CSEZA's Distribution Loss for 2021-22 was 1.44 % as claimed by CSEZA in the petition. It was further stated that the KSPC has not brought out any abnormal loss occurring/ or Metering /calibration issues/ Unaccounted energy etc. in the Energy Audit report. However, both the licensee and KSPC has not provided details of efforts taken, if any, to control and limit the T&D Loss to the approved level.
14. The licensee has also stated that they are planning to replace all existing 0.5 Class energy Meters with more accurate 0.2S class smart energy meters for HT and 0.5S for LT consumers. Also CTs/PTs of HT consumers will be replaced with 0.2S class and those for LT consumers with 0.5S class. As per BEE's guidelines, CSEZA is also planning to provide smart metering for consumers, DTs and feeders which would help in properly identifying any abnormal losses occurring in DTs / feeders and to take appropriate remedial actions.

15. As per Regulation 12 of the Tariff Regulations, 2018, distribution loss is a controllable factor and Regulation 72(4) specifies the mechanism for sharing the gains or losses on account of distribution loss.

*“72 (4). Any variation between the actual level of distribution losses and the approved level of distribution losses shall be dealt with, as part of the truing up of the respective financial year in the control period, in the following manner: -*

*(a) If the actual distribution loss is higher than the approved level of distribution loss for any particular financial year of the control period, then the quantum of power purchased corresponding to the excess distribution loss for that financial year, shall be disallowed at the average cost of power purchase for the respective financial year;*

*(b) If the actual distribution loss is lower than the approved level of distribution loss for any particular financial year of the control period, then the savings in power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/licensee and the consumers in the ratio 2:1.”*

16. Accordingly, 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. ***The Commission notes that the licensee has not taken any tangible measures to limit T&D loss to the approved level and hence decides to consider the approved distribution loss of 1.36% for the purpose of truing up also. The licensee is directed to initiate measures to limit the distribution loss at the approved level. Accordingly, based on the approved distribution loss, the approved energy requirement for the year 2021-22 is tabulated below.***

**Table 5  
Approved Distribution Loss for the year 2021-22**

SI no	Particulars	2021-22		
		ARR Approved	As per Truing Up Petition	Trued Up
1	Energy Requirement (lakh units)			
	a) Purchase from KSEB Ltd	566.40	540.38	539.95
	b) Self-generation (Solar)	15.10	14.32	14.32
	<b>Total</b>	<b>581.50</b>	<b>554.70</b>	<b>554.27</b>
2	Energy sales (lakh units)	<b>573.60</b>	<b>546.73</b>	<b>546.73</b>
3	Distribution loss (lakh units) (1-2)	7.90	7.97	7.54
4	<b>Distribution loss (%)</b>	<b>1.36%</b>	<b>1.44%</b>	<b>1.36%</b>

## Power Purchase Cost

17. The actual power purchase cost for the year 2021-22 is Rs.3431.01 lakh for 540.38 lakhs units as against Rs.3622.68 lakh for 566.40 lakhs units in ARR Order. The comparison of the power purchase cost claimed by the license for the year 2020-21 and 2021-22 is tabulated below;

**Table 6**  
**Details of cost of power purchase for the year 2020-21 and 2021-22**

Particulars	Truing Up Petition 2020-21	Truing Up Petition 2021-22
Energy Purchase from KSEBL (In lakh units)	494.30	540.38
Contract Demand (kVA)	13000	13000
Maximum Demand (kVA)	117472	119078
Excess Demand (kVA)	0.0	0.0
Excess Demand Charges ( Rs. lakh)( A)	0.0	0.00
Demand Charges ( Rs/ kVA)	Rs 340/kVA	Rs 340/kVA
Total Demand Charges( Rs. lakh) ( B )	399.40	404.87
Energy Charges ( Rs/ kWh)	Rs 5.60/kWH	Rs 5.60/kWH
Total Energy Charges ( Rs. lakh) ( C)	2768.05	3026.15
Any Other Charges) ( Rs. lakh)- D	Nil	Nil
<b>Cost of Power Purchase (Rs.lakh) (A+B+C+D)</b>	<b>3167.46</b>	<b>3431.01</b>
<b>Average Power Purchase Cost</b>	<b>6.41</b>	<b>6.35</b>

18. KSEB Ltd vide their comments on the petition submitted that they have noted differences in the power purchase cost with that in the records of KSEB Ltd.

**Table-7**  
**Difference in power purchase cost as per petition and KSEB records**

Particulars	As per Truing Up Petition	As per KSEBL records
Power purchase of M/s CSEZA for the year 2021-22 (lakh units)	540.38	540.38
Total Charges [fixed + energy charges (Rs lakhs)]	<b>3431.01</b>	<b>3431.78</b>

19. The licensee in the counter to the comments of KSEB Ltd has stated that CSEZA has not included TDS amount charged by KSEB Ltd over and above demand charges and energy charges for April & May 2021 in power purchase cost as the same has been claimed by CSEZA while filing IT return. It was also stated that the TDS amount deducted from demand charges and energy charges for the period from June 2021 to March 2022 was included by CSEZA in the purchase cost as this amount could be claimed by KSEB Ltd while filing IT return. Thus the licensee has stated that the discrepancy brought out by KSEB Ltd may be due to accounting errors of KSEB Ltd as the demand charges and energy charges in the demand notices of KSEB Ltd matches with the claim made by the licensee.



20. As mentioned in previous paragraphs, as per the Tariff Regulations 2018, if the actual distribution loss is higher than the approved level of distribution loss, then the quantum of power purchased corresponding to the excess distribution loss shall be disallowed at the average cost of power purchase. Accordingly, the power purchase cost based on the approved distribution loss of 1.36% for the year 2021-22 is as shown below;

**Table 8**  
**Approved power purchase cost for 2021-22**

1	Actual Energy Purchased (lakh units)	540.38
2	Energy Required at approved distribution loss (lakh units)	539.95
3	Excess distribution loss (lakh units) (1-2)	0.43
4	Average Power Purchase Cost (Rs. per unit)	6.35
5	Excess power purchase cost to be disallowed (Rs. lakh) (4) * (3)	2.73
6	Actual Power purchase cost (Rs. lakh)	3431.01
7	<b>Approved Power purchase cost (Rs. lakh) (6-5)</b>	<b>3428.28</b>

### Operation & Maintenance Expenses

21. Operation and Maintenance expenses are controllable expenses which include Employee cost, Repair & Maintenance expenses and Administrative & General expenses. The Operation and Maintenance expenditure claimed for the year 2021-22 is higher than the norms approved in the Tariff Regulations, 2018. The Commission while approving the norms in the Tariff Regulations, 2018 had approved the Operation and Maintenance expense of Rs.221.46 lakh for 2021-22. The licensee in the petition has claimed total operation and maintenance expense of Rs.284.96 lakh. A comparison of the expenses for 2020-21 and 2021-22 is tabulated below.

**Table 9**  
**Comparison of O&M expenses for 2020-21 and 2021-22**

Particulars	2020-21			2021-22	
	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	Truing Up Petition (Rs. lakh)
Employee cost	173.49	137.93	137.93	181.88	100.36
R&M Expenses	8.40	8.95	8.95	8.81	13.86
A&G Expenses	29.35	35.69	35.69	30.77	170.74
<b>Total O&amp;M Expenses</b>	<b>211.24</b>	<b>182.57</b>	<b>182.57</b>	<b>221.46</b>	<b>284.96</b>

### Employee Cost

22. In the petition, the licensee has claimed an amount of Rs.100.36 lakh as against the amount of Rs.181.88 lakh approved in the Regulation as employee cost for carrying out the distribution business. The actual employee expense claimed by the licensee is lower than the norms approved by the Commission as well as the previous year (2020-21) trued up amount of Rs.137.93 lakh. The licensee in the petition stated that Rs.72.55 lakh was paid in 2021-22 to the outsourced O&M agency as annual fee towards man hour charges for the O&M services provided

and Rs. 27.81 lakh was apportioned as proportionate employee cost of CSEZ staff. As such, the total employee cost for the year 2021-22 is Rs. 100.36 lakh. The split up details and a comparison of the employee cost for the current year 2021-22 and previous year 2020-21 is shown below.

**Table 10**  
**Comparison of Employee Cost for the year 2020-21 and 2021-22**

Particulars	2020-21	2021-22	
	Trued Up Amount	As per the Regulation	As per Truing Up Petition
	(Rs. lakh)	(Rs. lakh)	(Rs. lakh)
Employee Expenses	24.46	181.88	27.81
Charges to O&M Agency	113.47		72.55
<b>Total</b>	<b>137.93</b>	<b>181.88</b>	<b>100.36</b>

23. The Commission has examined the submission of the licensee and appreciates the fact that the licensee has limited the employee cost to a level lower than the norms fixed by the Commission. The overall employee cost, has also decreased to Rs.100.36 lakh in 2021-22 from Rs.137.93 lakh in 2020-21. The apportioned cost of CSEZA employees has increased from Rs. 24.46 lakh to Rs.27.81 lakh during the same period whereas the charges payable to O&M agency was reduced to Rs.72.55 lakh from Rs.113.47 lakh. The licensee has submitted the split up details of the actual salary cost for CSEZA staff for the year 2021-22 and the actual cost to be charged to the Power Distribution System (PDS) based on the time spent by each staff for the PDS work which is Rs.27.81 lakh and the same is absorbed in Power Account during 2021-22 based on time contribution. Considering the details submitted and ***the actual employee cost being within the norms fixed, the Commission hereby approves the actual employee expenses of Rs.100.36 lakh for the year 2021-22.***

#### R&M Expenses

24. The actual R&M expense claimed by the licensee in 2021-22 is Rs.13.86 lakh as against the normative amount of Rs.8.81 lakh approved for the year. During the year 2020-21, the licensee had claimed Rs.8.95 lakh which was approved by the Commission. The actual R&M expenses claimed is higher than that of the previous year. The comparison of the R&M expenses for the years 2020-21 and 2021-22 is as shown below.

**Table 11**  
**R&M expenses for the years 2020-21 and 2021-22 (Rs. Lakh)**

Particulars	2020-21	2021-22	
	Trued Up	As per the Regulation	Truing Up Petition
R&M Expenses	8.95	8.81	13.86
<b>Total</b>	<b>8.95</b>	<b>8.81</b>	<b>13.86</b>

25. The licensee has submitted the split up of R&M expenses during the year. The split up details of R&M incurred for the year 2021-22 is shown below.

**Table 12**  
**R&M expenses for the year 2021-22**

Sl. No	Description of works	Amount (Rs lakh)	Remarks
1	Repainting of Transformers, panel boards etc in 110 kV Substation	4.01	These were planned in MYT petition for 2021-22
2	Distribution Transformers Oil Filtration (8 No's capacity up to 1250 KVA)	0.40	
3	Filtration of transformer oil in 2 Nos 12.5 MVA power Transformers	0.90	Planned in MYT petition for 20-21. Execution was completed in 2020-21 and payment was effected in 21-22
4	Installation of standby fire extinguishers and refilling	1.10	This was not planned in MYT stage, but had to be done for safety reasons.
5	Replacement of faulty electrical equipment in SDF 43	0.54	This was not planned in MYT petition, but had to be done on urgent basis
6	Replacement of faulty ACB (4000 A, 4 Pole, 80 KA) at Unitised Substation -1, SDF-17	4.37	
7	Replacement of breather cup of power transformers in 110 kV substation	0.09	
8	Replacement of AVR (Automatic Voltage Regulator) in RTCC Panel-2 in 110 KV Substation	0.16	
9	Reprogramming of 2 No's ABT meter (Secure Make) in 110 KV Substation	0.30	
10	Replacement of Neutral CT & Earth fault relay of Auxiliary Transformer in 110 kV substation	0.37	
11	Meter Testing and charges towards re-programming meter in 110 KV Substation	0.18	
12	Spares and consumables	1.43	Consumed from stock
	<b>Total</b>	<b>13.86</b>	

26. As per the details submitted, the planned expenses done during the year 2021-22 was to the tune of Rs.5.31 lakh only. Majority of the R&M (Rs.7.11 lakh) for the year was not planned, but had to be done on urgent basis and Rs.1.43 lakh towards spares and consumables. ***The Commission has duly considered the explanations/clarifications furnished in the licensee's submission regarding the emergency/one time works undertaken in 2021-22 to provide reliable supply to consumers. Accordingly, the Commission hereby approves the actual amount of Rs.13.86 lakh as R&M expense for the year 2021-22.***

#### **A&G Expenses**

27. The licensee has claimed Rs.170.74 lakh as the A&G expenses for the year 2021-22 as against Rs.30.77 lakh approved for the year. The A&G expenses include various items such as rent, rates and taxes, insurance, V-sat, internet and

related charges, charges for monitoring and managing pre-paid metering and licensee fee and other related fee etc. In addition to these items, also includes a sum of Rs.134.08 lakh with regard to excess revenue refunded to consumers as per Commission's Order dated 03-03-2021 in OP No. 43/2020 which is not a regular A&G expense. A comparison of the A&G expenses for the year 2020-21 and 2021-22 is tabulated below.

**Table 13**  
**Comparison of A&G expenses for the years 2020-21 and 2021-22**

Particulars	2020-21	2021-22
Rent Rates & Taxes	10.04	11.08
Insurance	1.96	-
Electricity charges & Water charges	0.09	0.14
Printing & Stationery	0.09	0.16
Bank Charges	0.01	0.01
License Fee and other related fee	1.15	1.07
Truing up Application fee to KSERC & Other petition fee to KSERC	0.56	1.87
Inspection Fee (Electrical Inspectorate)	0.39	0.83
V-sat, Internet and related charges	4.82	4.81
Others (Electricity duty of street light for 2015-16)	-	0.13
Charges for Monitoring & Managing prepaid metering software system	16.60	16.35
Meeting Expenses	-	0.22
Excess revenue refunded to Consumers as per Commission's Order dated 3.3.2021 in OP No. 43/2020	-	134.08
Gross A&G Expenses	35.69	170.74
Ele. Duty u/s 3(l), KED Act	29.78	32.34
Net A&G Expenses (Incl. Duty u/s 3(l), KED Act)	65.47	203.07
Less: Duty u/s 3(l), KED Act	29.78	32.34
<b>Net A&amp;G Expenses</b>	<b>35.69</b>	<b>170.74</b>

28. With regard to refund of excess revenue to consumers, the Commission had sought the methodology adopted by the licensee. The licensee submitted that they have adopted the same methodology as specified by the Commission in the Order dated 03.03.2021 in OP No. 43/2020. The amount has been refunded to consumers having positive errors beyond the permissible limits. The licensee has stated that they had identified 13 eligible consumers having positive errors and Rs.134.08 lakh has been refunded. The licensee has also stated that the balance amount of Rs.212.92 lakh is kept in CSEZA's Power Distribution account separately, which shall be utilized for the common benefit of the consumers of the licensee with the approval of the Commission. The Commission considers the submission and approves Rs.134.08 lakh as a separate item.
29. **Considering the details furnished by the licensee the Commission hereby approves the actual amount of Rs.36.66 lakh as the Administrative and General expenses for the year 2021-22.**

30. Regarding refund of excess revenue of Rs.134.08 lakh as per Commission's Order dated 03.03.2021 in OP No. 43/2020, the Commission is of the view that this is excess revenue booked in earlier years and not an item of expenditure coming under administrative and general expenses. This claim is separately dealt with in paragraph 34.

#### **O&M expenses approved for 2021-22**

31. The O&M expenses, which includes Employee costs (Rs.100.36 lakh), R&M expenses (Rs.13.86 lakh), and A&G expenses (Rs.170.74 lakh) totaling to Rs.284.96 lakh is the actual amount incurred for the year 2021-22. The Commission has considered the refund of excess revenue to consumers separately and thus the total O&M expense amount excluding the refund of excess revenue to consumers is Rs.150.88 lakh, which is lower than the O&M expenses of Rs.221.46 lakh approved as per the Tariff Regulations, 2018. Hence, there is a gain of Rs.70.58 lakh (Rs.221.46 lakh – Rs.150.88 lakh). As per Regulation 14 of the Tariff Regulations, 2018, the aggregate gain on the controllable parameters is to be shared in the ratio of 2:1 i.e., 2/3<sup>rd</sup> of gain is to be retained by the licensee and 1/3<sup>rd</sup> is to be passed on to the consumers. The relevant portion of the Regulation is shown below.

*14. Mechanism for sharing of gains or losses on account of controllable factors.*

*(1) The aggregate gain to the generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre, as approved by the Commission, on account of controllable factors shall be dealt with in the following manner: -*

*(a) one-third of the amount of such gain shall be passed on to consumers as a rebate in tariffs;*

*(b) the remaining two-third of the amount of such gain, may be utilised at the discretion of the generating business/company or transmission business/licensee or distribution business/licensee*

**32. The Commission had allowed retaining the benefit of efficiency gain to the licensee in the previous years of the control period. Similarly, in the year 2021-22 also the licensee has incurred O&M expenses lesser than the norms fixed and accordingly is eligible for the benefit as per Regulation 14 of Tariff Regulations 2018. Hence, the Commission hereby approves Rs.197.93 lakh (excluding the refund of excess revenue to consumers) as the Operation and Maintenance expenses for the year 2021-22 as shown below.**

**Table 14**  
**O&M Expenses approved for the year 2021-22**

Sl.no	Particulars	Rs. lakh
1	Total O&M expenses approved as per the Regulations	221.46
2	Total O&M expenses claimed as per the Truing Up Petition	150.88*
3	Total Efficiency Gain (1-2)	70.58
4	Efficiency Gain to be retained by the licensee (2/3 <sup>rd</sup> of (3)) = 60.58*2/3	47.05
5	<b>Approved O&amp;M expenses for the Truing Up of accounts (2+4)</b>	<b>197.93</b>

\* excluding the refund of excess revenue to consumers

33. **Accordingly, after considering the gains on O&M expenses the total approved O&M expenses for the year 2021-22 is Rs.197.93 lakh.**

34. In respect of the claim of Rs.134.08 lakh towards refund of excess revenue billed in earlier years as mentioned in paragraph 30, the Commission noticed that the excess revenue billed earlier has resulted in increase in the accumulated surplus of the licensee. As the amount is refunded during the year 2021-22 in compliance with the orders of the Commission, the refund amount of Rs.134.08 lakh is to be reduced from the cumulative surplus at the beginning of the year. **Accordingly, the Commission hereby approves the refund of excess revenue of Rs.134.08 lakh as claimed by the licensee which will be shown as a separate item under expenditure side so that the cumulative surplus will be reduced to the extent.**

#### **Asset Additions during the year 2021-22**

35. The Commission had approved Rs.6.90 lakh as Asset addition for the year 2021-22 in the Order dated 02-12-2019 while approving ARR & ERC for the MYT period 2018-19 to 2021-22. The licensee in the present petition, has not claimed any asset addition during the year 2021-22

#### **Depreciation**

36. The depreciation claimed for the year 2021-22 is Rs.97.88 lakh as against Rs.72.03 lakh approved in the Order on ARR&ERC. The details of depreciation claim made by the licensee are shown below.

**Table -15**  
**Depreciation claimed for the year 2021-22**

Asset Group	Rate of depreciation (%)	Gross fixed assets				Provision for depreciation
		At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	
Distribution lines	5.28%	496.79	0.00	0.00	496.79	8.29
11KV RMU	5.28%	131.31	0.00	0.00	131.31	6.93
Plant & machinery (11KVRMU)	5.28%	9.84	0.00	0.00	9.84	0.52
Switchgears, Control gear & Protection	5.28%	519.56	0.00	0.00	519.56	16.20

Control Room (AC)	5.28%	0.78	0.00	0.00	0.78	0.04
Store Room	5.28%	5.31	0.00	0.00	5.31	0.28
Fencing	5.28%	3.30	0.00	0.00	3.30	0.17
Operator cabin Room	5.28%	1.25	0.00	0.00	1.25	0.07
LT Distribution system	5.28%	15.56	0.00	0.00	15.56	0.82
Transformers	5.28%	3.50	0.00	0.00	3.50	0.18
Switchgears, Control gear & Protection	5.28%	1.35	0.00	0.00	1.35	0.07
Communication equipment	6.33%	54.41	0.00	0.00	54.41	3.44
Meters	5.28%	164.75	0.00	0.00	164.75	5.45
Furniture & fixtures	6.33%	0.44	0.00	0.00	0.44	0.03
Office Equipments	6.33%	11.07	0.00	0.98	10.09	1.00
New software for prepaid metering	15.00%	42.66	0.00	0.00	42.66	6.40
Solar PV Plant	5.83%	822.84	0.00	0.00	822.84	47.97
<b>Gross Asset</b>		<b>2284.74</b>	<b>0.00</b>	<b>0.98</b>	<b>2283.76</b>	<b>97.88</b>

37. The Commission has examined the depreciation claim of the licensee. The licensee has claimed depreciation of Rs.97.88 lakh for 2020-21, for the entire assets, though the licensee is not eligible for depreciation on the assets created out of the accumulated regulatory surplus. The Commission while Truing Up of accounts for the year 2020-21 had approved depreciation only after deducting the depreciation on assets created out of accumulated regulatory surplus. Accordingly, after duly deducting the depreciation for the assets created out of accumulated regulatory surplus, the depreciation approved for the year 2021-22 is tabulated below;

**Table-16**  
**Depreciation approved for the year 2021-22**

Asset Group	Rate of depreciation (%)	Gross fixed assets				Depreciation
		At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	
Distribution lines	5.28%	496.79	0.00	0.00	496.79	8.29
11KV RMU	5.28%	131.31	0.00	0.00	131.31	6.93
Plant & machinery (11KVRMU)	5.28%	9.84	0.00	0.00	9.84	0.52
Switchgears, Control gear & Protection	5.28%	519.56	0.00	0.00	519.56	16.20
Control Room (AC)	5.28%	0.78	0.00	0.00	0.78	0.04
Store Room	5.28%	5.31	0.00	0.00	5.31	0.28
Fencing	5.28%	3.30	0.00	0.00	3.30	0.17
Operator cabin Room	5.28%	1.25	0.00	0.00	1.25	0.07
LT Distribution system	5.28%	15.56	0.00	0.00	15.56	0.82
Transformers	5.28%	3.50	0.00	0.00	3.50	0.18
Switchgears, Control gear & Protection	5.28%	1.35	0.00	0.00	1.35	0.07

Communication equipment	6.33%	54.41	0.00	0.00	54.41	3.44
Meters	5.28%	164.75	0.00	0.00	164.75	5.45
Furniture & fixtures	6.33%	0.44	0.00	0.00	0.44	0.03
Office Equipments	6.33%	11.07	0.00	0.98	10.09	1.00
New software for prepaid metering	15.00%	42.66	0.00	0.00	42.66	6.40
Solar PV Plant	5.28%	719.49	0.00	0.00	719.49	37.99
<b>Gross Asset</b>		<b>2181.37</b>	<b>0.00</b>	<b>0.98</b>	<b>2180.39</b>	<b>87.88</b>
<b>(Less) Assets addition through Accumulated surplus</b>						
2016-17					58.55	
2017-18					526.05	
2018-19					18.31	
2019-20					3.76	
2020-21					341.72	
2021-22					-	
<b>Total Assets created through accumulated surplus</b>						
					<b>948.39</b>	
<b>Balance Assets Considered for Depreciation</b>						
					<b>1232.00</b>	
<b>Depreciation Approved [Rs.87.88 lakh- Rs.50.07 lakh (948.39*5.28%=50.07)]</b>						<b>37.81</b>

38. The total depreciation applicable for the year is Rs.87.88 lakh. However, as shown above, the assets created out of accumulated surplus is Rs.948.39 lakh. Depreciation is not allowable on this asset amounting to Rs.948.39 lakh. Hence the depreciation of Rs.50.07 lakh applicable to the said assets @5.28% is deducted from the total depreciation of Rs.87.88 lakh. Hence the depreciation approved for the year is Rs.37.81 lakh.

39. **Accordingly, against a claim of Rs.97.88 lakh in the Truing Up petition, the Commission hereby approves the depreciation of Rs.37.81 lakh for the year 2021-22.**

#### **Interest and Finance Charges**

40. The licensee has not claimed any interest and finance charges for 2021-22. Since the licensee is following the pre-payment metering system, interest on working capital is also not allowable.

#### **Return on Net Fixed Assets**

41. The licensee has claimed return on net fixed assets @3% i.e., Rs.42.20 lakh against the approved amount of Rs.21.86 lakh. The Commission while truing up the accounts for the year 2020-21 had approved RoNFA of Rs.15.73 lakh after deducting the assets created out of accumulated surplus. The comparison of return on NFA for the year 2020-21 and 2021-22 is shown below.



**Table-17**  
**Return on NFA for the year 2020-21 and 2021-22**

Particulars	2020-21		2021-22	
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
GFA at the beginning of the year	1943.02	1839.68	21.86	
(Less) Assets created out of Surplus		606.67		
GFA at the beginning of the year eligible for RoNFA		1233.01		
(Less) Cumulative depreciation at the beginning of the year on assets eligible for RoNFA	781.42	708.84		
Net fixed assets at the beginning of the year	1161.60	524.17		1406.83
<b>3% on Net fixed assets at the beginning of the year</b>	<b>34.85</b>	<b>15.73</b>	<b>21.86</b>	<b>42.20</b>

42. While Truing Up the accounts for the year 2020-21, the Commission had approved an amount of Rs.15.73 lakh as against Rs.34.85 lakh claimed by the licensee. The licensee has created assets from 2016-17 using their accumulated surplus. Since the same has no cost of funds, the return on NFA is not allowable for the said assets. Accordingly, the NFA eligible for return is as shown below.

**Table-18**  
**Return on NFA for the year 2021-22 (Rs. lakh)**

Particulars	As per Truing Up Petition	Trued Up
GFA at the beginning of the year		2181.37
(Less) Assets created out of Surplus		948.39
GFA at the beginning of the year eligible for RoNFA		1232.98
(Less) Cumulative depreciation at the beginning of the year on assets eligible for RoNFA*		745.49
Net fixed assets at the beginning of the year	1406.83	487.49
<b>3% on Net fixed assets at the beginning of the year</b>	<b>42.20</b>	<b>14.62</b>

*\*cumulative depreciation upto 01-04-2020 Rs.708.84 lakh + depreciation approved for the year 2020-21 was Rs.36.65 lakh)*

### Revenue from sale of power

43. The actual revenue from sale for power for the year 2021-22 is Rs.3774.95 lakh for 546.73 lakh units as against approved revenue from sale of power of Rs.3887.85 lakh for 573.60 lakh units as approved in the Order on ARR&ERC. As per the petition, major revenue is from sale to the HT – Industrial [HT-I(A) & I(B)] category. A category wise comparison of revenue from sale of power for the years 2020-21 & 2021-22 is as shown below.

**Table-19**  
**Details of Revenue from Sale of Power for the year 2020-21 and 2021-21**

Category	Truing Up 2020-21			Truing Up 2021-22		
	Sales In lakh Units	Revenue from sale	Average Realisation	Sales In lakh Units	Revenue from sale	Average Realisation
HT – Industrial [HT-I(A) &I(B)]	398.17	2775.91	6.97	438.19	2993.86	6.83
HT- Agricultural [HT-III(B)]	11.86	49.01	4.13	13.09	50.06	3.82
LT – Industrial [LT-IV(A)&IV(B)]	87.10	667.32	7.66	88.49	662.39	7.49
LT – Commercial [LT-VII(A)]	2.03	23.67	11.69	1.80	20.98	11.66
LT – Other categories	4.41	41.51	9.41	5.16	47.66	9.24
<b>Gross Amount</b>	<b>503.57</b>	<b>3557.42</b>		<b>546.73</b>	<b>3774.95</b>	6.90
(Less) Fuel Surcharge	-	4.02		-	-	-
<b>Total</b>	<b>503.57</b>	<b>3553.40</b>	<b>7.06</b>	<b>546.73</b>	<b>3774.95</b>	<b>6.90</b>

44. Commission notes that the average realization of Rs.7.06/unit in 2020-21 has reduced to Rs.6.90/unit in 2021-22. The Commission had sought the reason for the reduction in average realization. The licensee submitted their reasoning for reduction in average realization which are pointed out below;

- a) There is increase in the Energy Consumption for 2021-22 compared to 2020-21 as there is recovery from Covid 19. Even though there was increase in kWh consumption in 2021-22 & corresponding increase in Energy Charges in 2021-22, the Demand charges & Excess Demand Charges for 2021-22 was less than 2020-21. The Demand Charges depends on the Billing Demand in KVA which is computed based on recorded maximum demand in each time zone (normal, peak and off peak) or 75 % of contract demand whichever is higher. Similarly, excess demand charges depend on the contract demand and the Billing demand in KVA. The billing demand varied from consumer to consumer and time to time based on the business plan and export commitments of various consumers.
- b) The total amount realized in 2020-21 includes fuel surcharge amount of Rs.4.02,202/- which was not in year 2021-22. This influenced reduced total amount realized in 2021-22 and consequent reduction of average realization.
- c) The net set off value for Power Factor disincentive/ incentive for 2021-22 is more negative compared to 2020-21, which resulted less total amount realized from consumers in 2021-22. Thus more power factor incentive was to be given to consumers thereby reducing the total amount realized. It is pointed out that Power Factor incentives is calculated for TOD consumers as 0.5 % of Energy charges per every 0.01 unit increase of average power factor above 0.95. Since most of the consumers (HT and

LT IV & B) maintained average power factor above 0.95, and since energy consumption (KW) was higher in 2021-22 compared to 2020-21, more power factor incentive had to be given to such consumers for 2021-22.

- d) It is also stated that there has been reduction in realization of Low Voltage Surcharge for 2021-22 compared to 2020-21 which further resulted in reduction average realization.

45. **Considering the submission made by the licensee, the Commission approves the revenue from sale of power of Rs.3774.95 lakh for the purpose of Truing Up of accounts for the year 2021-22 as claimed by the licensee.**

#### **Non-Tariff Income**

46. The Non-tariff income accounted by the licensee for the year 2021-22 is Rs.84.65 lakh as against the approved amount of Rs.128.79 lakh. The Non-tariff income claimed by the licensee for the year 2020-21 and 2021-22 are summarized below.

**Table 20**  
**Details of Non-Tariff Income for the year 2020-21 and 2021-22 (Rs. lakh)**

Particulars	2020-21 Truing Up Petition	2021-22 Truing Up Petition
Interest on investments, fixed and call deposits and bank balances.	75.84	63.19
Interest on advances to KSEB Ltd	19.11	19.18
Miscellaneous Receipts	0.00	0.15
Commission for collection of electricity duty	1.08	1.14
Meter/service line rentals	1.02	0.99
<b>Grand Total</b>	<b>97.05</b>	<b>84.65</b>

47. As per the details submitted, the non-tariff income include interest on fixed and bank balances, interest on advances, commission for collection of electricity duty etc. The claim of the licensee for the year 2021-22 is lower than the actual non-tariff income in 2020-21. There is a slight increase in interest on advances to KSEB Ltd during the year 2021-22 compared to previous year. Interest on investments, fixed and call deposits and bank balances have decreased to Rs.63.19 lakh in 2021-22 from Rs.75.84 lakh in 2020-21.

48. The Commission examined the details furnished by the licensee. The licensee is holding an accumulated surplus at the beginning of the year 2020-21 of Rs.1621.29 lakh as per the Order on the Truing Up of Accounts for the financial year 2020-21 dated 13.10.2022. As shown in Table 16, the Commission has approved capital additions of Rs.948.39 lakh till 2020-21 from the accumulated surplus. Considering this capital expenditure, the balance regulatory surplus is

available for interest income is Rs.672.90 lakh (Rs.1621.29 lakh – Rs.948.39 lakh). Based on the retail term deposit rate of SBI for a tenor of one year as on 01-04-2021 ie, 5.00%, the interest income would be Rs.33.64 lakh. However, the licensee has shown a higher amount of Rs.63.19 lakh as the Interest income on investments, fixed and calls deposits and bank balances. Considering the balance revenue surplus available, the interest income shown is reasonable. **Hence, the Commission approves the actual Non tariff income of Rs.84.65 lakh as claimed by the licensee for the year 2021-22.**

### Revenue Surplus/Gap for 2021-22

49. Based on the above, the approved expenditure and revenue for the year 2021-22 after truing up is as shown below.

**Table 21**  
**Trued Up Income and Expenditure for the Year 2021-22** (Rs. lakh)

Particulars	2021-22		
	Approved in ARR	Truing Up Petition	Trued Up
Purchase of Power	3622.68	3431.01	3428.28
R&M Expenses		13.86	
Employee Cost	221.46	100.36	197.93
A &G Expenses		36.66	
Refund of excess revenue		134.08	134.08
Depreciation	72.03	97.88	37.81
Return on NFA	21.86	42.20	14.62
<b>Total Expenditure</b>	<b>3938.03</b>	<b>3856.50</b>	<b>3812.72</b>
Revenue from Sale of Power	3887.85	3774.95	3774.95
Other Income	128.79	84.65	84.65
<b>Total Income</b>	<b>4016.64</b>	<b>3859.60</b>	<b>3859.60</b>
<b>Net Surplus/(Deficit)</b>	<b>78.61</b>	<b>3.55</b>	<b>46.88</b>

### Orders of the Commission

50. The Commission after considering the petition filed by M/s. CSEZA for Truing up of accounts for the year 2021-22, and the clarifications and details provided by the licensee approves the following.

- a) **Total revenue is Rs.3859.60 lakh.**
- b) **Total expenditure is Rs.3812.72 lakh.**
- c) **The revenue surplus for the year is Rs.46.88 lakh.**
- d) **The cumulative revenue surplus at the beginning of the year 2021-22 was Rs.1621.29 lakh. The accumulated revenue surplus thus, at the end of the year 2021-22 would be Rs.1668.17 lakh**

***(Rs.1621.29 lakh + Rs.46.88 lakh). However, the licensee has made investments to the tune of Rs.948.39 lakh for capital expenditure up to 2021-22. Thus, the balance available surplus is Rs.719.78 lakh (Rs.1668.17 lakh – Rs.948.39 lakh). The licensee shall keep the surplus arrived at after the Truing Up of Accounts in a separate fund and utilize it as per orders of the Commission.***

51. The petition is disposed of. Ordered accordingly.

Sd/-  
**Sri. T.K Jose**  
**Chairman**

Sd/-  
**Adv. A. J. Wilson**  
**Member**

Sd/-  
**Sri. B. Pradeep**  
**Member**  
Approved for issue  
Sd/-  
**C.R.Satheesh Chandran**  
**Secretary**