

**KERALA STATE ELECTRICITY REGULATORY COMMISSION  
THIRUVANANTHAPURAM**

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

**Petition: OP No. 42/2023**

In the matter of : Petition seeking approval for 320 kV HVDC  
Pugalur-Thrissur line Compensation package

Petitioner : M/s Kerala State Electricity Board Ltd

KSEBL represented by : Shri M.P Rajan, Dy. Chief Engineer  
Smt Latha S.V, Executive Engineer

Date of hearing : 14.09.2023

Venue : Court Hall of the Commission

**Order dated 01.12.2023**

1. M/s Kerala State Electricity Board Ltd (hereinafter referred as M/s KSEB Ltd or petitioner), filed a petition dated 15.05.2023 before the Commission with the following prayers;  
*“Approval of the Commission to make payment towards Compensation for constructing the Pugalur-Thrissur line as per the Special Compensation package ordered by Government of Kerala.”*
2. Summary of the petition filed by Petitioner is given below.
  - (1) The 320 kV High Voltage DC link between Pugalur and Thrissur, constructed by Power Grid Corporation of India Limited (PGCIL) as part of the Raigarh-Pugalur 6000 MW HVDC project, facilitates drawal of 2000 MW power by Kerala from the National grid. The OH line of 320 kV HVDC link between Pugalur in Tamil Nadu and Thrissur in Kerala is crossing Kerala State in Palakkad district.  
  
The link is a combination of overhead line from Pugalur to Vadakkanchery (around 140 km, out of which Kerala portion is 63.7 km) and UG Cable (27.3 km) from Vadakkanchery to Thrissur.
  - (2) The disbursal of compensation for the line (Kerala portion) is in accordance with the Special compensation package announced by the Government of Kerala (GoK) vide Government Orders dated 04.05.2019 and 19.07.2019.
  - (3) The payment conditions under the package are given below;

- (i) Compensation for the tower standing area will be 100% of 5 times the fair value of land. 85% of the aforesaid amount shall be paid by PGCIL and the rest by KSEB Ltd /GoK.
  - (ii) If there is only a nominal portion of land left after acquisition of land for tower construction, the same compensation as that of tower foundation would be given for that nominal area of land being acquired. The compensation amount will be met by KSEB Ltd /GoK.
  - (iii) Ex-gratia payment is given for the 14m width of land covered by the electric line tip to tip. It is fixed at 40% of the fair value of the land directly coming under the electric line tip to tip, fixed by the District Collector.
  - (iv) Displacement allowance in proportion to the degree of usability lost shall be given taking the area of land as 14 m wide which comes directly under the electric line drawn tip to tip.
  - (v) The displacement allowance and ex-gratia payment together shall not exceed 5 times the fair value of land as fixed by the District Collector. The sum of the ex-gratia payment and displacement allowance will be given in the proportion 15:25 by PGCIL and KSEB Ltd/GoK.
  - (vi) The compensation of trees /crops in the 44m corridor which have to be cut will be paid by PGCIL.
  - (vii) In the event of line passing vertically above any house a special compensation of ₹.1 lakh will be given and in case of partial or full demolition of any houses the amount assessed by PWD would be given. The expenditure will be met by KSEB Ltd /GoK
- (4) The approximate compensation amount assessed initially was ₹ 45 Cr (PGCIL share - ₹ 17.26 Cr and KSEB Ltd /GoK share - ₹ 27.74 Cr). The details are given below.

Item	Total Amount	PGCIL Share		KSEB Ltd/GoK	
	(Rs. Cr)		(Rs. Cr)		(Rs. Cr)
Tower standing area	0.87	85%	0.74	15%	0.13
Line Corridor (40%) including displacement allowance	44.06	(15/40=37.50%)	16.52	(25/40=62.50%)	27.54
Nominal land	0.07				0.07
Total (Rs.Cr.)	45.00		17.26		27.74

- (5) The GoK vide the G.O dated 18.05.2021 clarified that sharing of financial liability due to special compensation package of the construction of the Thrissur – Pugalur ± 320kV HVDC transmission line shall be shared equally between Government of Kerala and KSEBL.

- (6) KSEBL remitted its first share of compensation of Rs 6,02,038/- towards Tower Standing Area (TSA) in 2021-22, including the GoK share of Rs 3,01,319/-. Subsequently, KSEBL has decided to remits only its share of special compensation package. The year wise details of the remittance made so far by KSEB Ltd is given below;

Sl.No.	Particulars	Amount transferred by KSEBL (Rs.)	Date of transfer
<b>2021-22</b>			
1	Compensation towards Tower Standing Area (TSA)	6,02,638 (Share of KSEBL + GoK)	28-09-2021
2	Compensation towards Tower Standing Area & Line Corridor	2,49,83,467 (Share of KSEBL alone)	10-03-2022
<b>Total amount transferred 2021-22</b>		<b>Rs. 2,55,86,105/-</b>	
<b>2022-23</b>			
3	Compensation towards line corridor	1,20,35,728 (Share of KSEBL alone)	18-07-2022
4	Compensation towards line corridor	1,80,45,560 (Share of KSEBL alone)	28-11-2022
5	Compensation towards line corridor	1,82,67,927 (Share of KSEBL alone)	23-02-2023
<b>Total amount transferred in 2022-23</b>		<b>Rs.4,83,49,215/-</b>	

As detailed above, ₹7,39,35,320 (Total amount transferred 2021-22 - 2,55,86,105/- and 2022-23 - 4,83,49,215/-) has been remitted by KSEB Ltd towards the compensation till now, out of which ₹ 3,01,319 is the share of GoK.

- (7) Hence KSEB Ltd requested the approval of the Commission for making payment towards Compensation for constructing the Pugalur-Thrissur line as per the Special Compensation Package ordered by Government of Kerala.
3. The Commission admitted the petition as OP No. 42/2023. The hearing on the petition was held at the court hall of the commission on 14.09.2023. Smt. Latha S.V, Executive Engineer, KSEB Ltd presented the matter on behalf of the Petitioner, KSEB Ltd. The summary of the issues raised during the hearing are given below;
- (1) KSEB Ltd has briefly explained about the 320kV HVDC Pugalur-Thrissur line compensation package. This line is constructed by PGCIL as part of the Raigarh–Pugalur 6000 MW HVDC project, facilitates the withdrawal of 2000 MW of power by Kerala from the national grid.

The State Government vide the Government Orders dated 04.05.2019 and 19.07.2019 had announced special compensation packages to the land owners whose line is purchased/ shared for the construction of the said lines, which is extracted under paragraph 2(4) above.

As per the initial estimate, the total compensation is about Rs 45.00 crore, out of which the share of 'KSEBL and GoK' together is Rs 27.74 crore and balance will be shared by PGCIL.

KSEBL has remitted an amount of Rs 2.56 crore as compensation during the year 2021-22, including the Government share of Rs 3,01,319/-. Further, KSEBL has remitted Rs 4.83 crore as its share of compensation in the year 2022-23.

KSEBL requested to approve the Special Compensation Package so far paid and balance to be paid in the future years.

- (2) During the hearing, the Commission has directed KSEBL to suggest suitable methodology to approve the compensation paid/to be paid as part of the Pugalur-Thrissur 320kV HVDC line.
4. In compliance of the direction of the Commission, KSEB Ltd vide the additional submission dated 21.09.2023, submitted the following;

*"Hon'ble Commission vide Order dated 09.08.2019 in OP 58/2018 in the matter of compensation of Edamon-Kochi line has ordered the following:*

*"Orders of the Commission*

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

*(1) The Commission provisionally approves 50% of the additional financial liability due to the 'special compensation package' of the 400 kV Edamon- Kochi Transmission line, as KSEB Ltd's share as per the orders of the State Government.*

*(2) The share of KSEB Ltd under additional special compensation package shall be treated as the intangible assets of KSEB Ltd of the financial year(s) in which KSEB Ltd actually make the payment to the farmers and landowners, and it shall be allowed to be amortized over a period of 12 years from the year(s) from which KSEB Ltd actually make the payment.*

*(3) KSEB Ltd shall, along with the petitions on truing up of the relevant year(s) in which the payment towards the additional special compensation is made, submit the details of the additional special compensation paid to farmers and landowners in connection with the construction of the 400 kV Edamon-Kochi line.*

*(4) The Commission shall allow recovery of the yearly amortization amount along with interest, as expense of KSEB Ltd and to be recovered through tariff.*

*(5) The Commission shall not allow O&M expenses, return on equity or any such expenses over and above the 'amortisation amount with interest' to the intangible assets so created towards the KSEB Ltd share of additional special compensation package as per the orders of the State Government. Further, since the intangible asset so created is being amortised over a period of 12 years no separate provision for depreciation shall be provided."*

Hence KSEBL submitted that, the Commission may allow KSEBL to adopt the above treatment of recovery of the compensation amount in the case of Pugalur-Thrissur line compensation also.

### **Analysis and Decision of the Commission**

5. The Commission having examined the petition filed by KSEB Ltd as per the provisions of the Electricity Act, 2003 and the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021, and other details and documents submitted during the proceedings of the subject matter decides as follows.
6. The Commission has noted that, the Pugalur-Thrissur HVDC Line is part of the Raigarh-Pugalur-Thrissur 6000 MW HVDC system. It enables the transfer of 2000 MW of power to Kerala from outside the State. The Pugalur-Thrissur HVDC line consists of 320KV high voltage DC link between Pugalur and Thrissur. The link is a combination of overhead line from Pugalur to Vadakkanchery (around 140 km, out of which Kerala portion is 63.7 km) and UG Cable (27.3 km) from Vadakkanchery to Thrissur.

This project was inaugurated in February 2021.

7. In order to sort out the right of way issues and delay due to protest of the farmers and land owners, the State Government vide the GOs dated 04.05.2019 and 19.07.2019 has approved special compensation packages for the land purchased / shared from the farmers and land owners of the line route in the State of Kerala.

KSEBL has submitted that, the total compensation of the Pugalur-Thrissur line within the State of Kerala is about Rs 45.00 crore. Out of it Rs 17.26 crore will be directly shared by PGCIL and the balance Rs 27.74 crore has to be borne by 'KSEBL and GoK' together. Further, the State Government vide the GO (Ms) No. 13/2021/Power dated 18.05.2021 has ordered that, financial liability due to special compensation package for the construction of the Thrissur to Pugalur ± 320kV HVDC Transmission line shall be shared equally between Government of Kerala and KSEBL.

The amount incurred by KSEBL towards the special compensation is for facilitating the construction and commissioning of the 320kV Pugalur- Thrissur HVDC line, and which would benefit the State by way of enhancing the capability of import of power from other parts of the State by 2000MW.

8. However, all the assets created out of Raigarh- Pugalur 600MW HVDC project including the 320kV HVDC line between Pugalur and Thrissur is the assets of PGCIL. Hence, any amount of compensation incurred by KSEBL and State Government for the 320kV Pugalur- Thrissur HVDC line does not involve creation/ acquisition/ construction of any tangible assets by KSEBL. Hence, share of such compensation of KSEBL cannot be capitalised as part of its assets.

9. The Pugalur Thrissur Transmission is being constructed by PGCIL. As the Central Transmission Utility and Transmission licensee, the cost of construction of the line is being met by PGCIL. After completion and commissioning of the line, the CERC may determine the transmission tariff of the line based on a petition filed by PGCIL. KSEBL and other beneficiaries may implead as respondents before the CERC in such petitions. However, the amount incurred by KSEBL and State Government shall not form part of the capital cost of the project claimed by PGCIL for tariff determination.
10. In a similar case, the Commission vide the Order dated 09.08.2019 in petition OP No. 58/2018, in the matter of 'seeking approval of Edamon-Kochi Compensation package', the Commission had ordered to treat such compensation as follows;
- (1) The Commission provisionally approves 50% of the additional financial liability due to the 'special compensation package' of the 400 kV Edamon- Kochi Transmission line, as KSEB Ltd's share as per the orders of the State Government.*
- (2) The share of KSEB Ltd under additional special compensation package shall be treated as the intangible assets of KSEB Ltd of the financial year(s) in which KSEB Ltd actually make the payment to the farmers and landowners, and it shall be allowed to be amortized over a period of 12 years from the year(s) from which KSEB Ltd actually make the payment.*
- (3) KSEB Ltd shall, along with the petitions on truing up of the relevant year(s) in which the payment towards the additional special compensation is made, submit the details of the additional special compensation paid to farmers and landowners in connection with the construction of the 400 kV Edamon-Kochi line.*
- (4) The Commission shall allow recovery of the yearly amortization amount along with interest, as expense of KSEB Ltd and to be recovered through tariff.*
- (5) The Commission shall not allow O&M expenses, return on equity or any such expenses over and above the 'amortisation amount with interest' to the intangible assets so created towards the KSEB Ltd share of additional special compensation package as per the orders of the State Government. Further, since the intangible asset so created is being amortised over a period of 12 years no separate provision for depreciation shall be provided."*
11. The present case is similar to the issues addressed in the Order dated 09.08.2019 in petition No. OP 58/2018, wherein also KSEBL and State Government share a part of the special compensation package, equally between them.
12. The Commission examined the submission of KSEB Ltd as per the provisions in the Ind AS 38. Since there is definite economic benefit to the KSEB Ltd from the 320 kV Pugalur-Thrissur line, and its cost and benefits can be measured reliably, the amount payable by KSEB Ltd can be treated as 'intangible assets of KSEB Ltd'. Further KSEB Ltd has to avail loan from financial institutions to meet this liability and normally the loan repayment period of long-term loans is limited to '12 years'.

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

The Commission further clarify that, while truing up the accounts of KSEB Ltd of the relevant year(s) in which the licensee make the actual payments towards additional special compensation, may approve such amount as its intangible assets, and also issue appropriate orders on amortisation of the same over a period of 12 years from the year(s) of payment of the additional special compensation. Hence, while filing the petitions on Truing Up of accounts of the relevant year(s), KSEB Ltd shall submit the details of the additional special compensation paid to the farmers and landowners as per the orders of the State Government.

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

### **Orders of the Commission**

14. The Commission after examining the petition filed by KSEB Ltd as per the provisions of the Electricity Act, 2003, KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2021, Ind As 38 and other relevant facts and documents, hereby orders the following;
  - (1) The Commission provisionally approves 50% of the additional financial liability due to the 'special compensation package' of the 320 kV HVDC Pugalur-Thrissur Transmission line, as KSEB Ltd's share as per the orders of the State Government.
  - (2) The share of KSEB Ltd under additional special compensation package shall be treated as the 'intangible assets' of KSEB Ltd of the financial year(s) in which KSEB Ltd actually make the payment to the farmers and landowners, and it shall be allowed to be amortized over a period of 12 years from the year(s) from which KSEB Ltd actually make the payment.
  - (3) KSEB Ltd shall, along with the petitions on truing up of the relevant year(s) in which the payment towards the additional special compensation is made, submit the details of the additional special

compensation paid to farmers and land owners in connection with the construction of the 320 kV HVDC Pugalur-Thrissur Transmission line.

- (4) The Commission shall allow recovery of the yearly amortization amount along with interest, as expense of KSEB Ltd and to be recovered through tariff.
- (5) The Commission shall not allow O&M expenses, return on equity or any such expenses over and above the 'amortisation amount with interest' to the intangible assets so created towards the KSEB Ltd share of additional special compensation package as per the orders of the State Government. Further, since the intangible asset so created is being amortised over a period of 12 years no separate provision for depreciation shall be provided.

The petition is disposed of. Ordered accordingly.

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

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

**Sd/-**  
**B Pradeep**  
**Member**

Approved for issue

**Sd/-**  
**C R Satheesh Chandran**  
**Secretary**