

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present : Adv. A J Wilson, Member (Law)

OP 67/2021

In the matter of : Petition for approval of capital expenditure incurred by M/s. Smart City (Kochi) Infrastructure Pvt Ltd from 2016-17 to 2019-20

Petitioner : M/s Smart City (Kochi) Infrastructure Pvt Ltd

Date of Hearing : 26-10-2022 at Smart City, Kochi.

Represented by : Sri.Jinu John Jacob, Company Secretary
Smt. Sini.P.S, Senior Director-Projects
Sri.Ranjithlal, Senior Manager- Asset & Infrastructure

Order Dated 09.12.2022

1. Smart City (Kochi) Infrastructure Pvt Ltd (*hereinafter referred to as SCK or the licensee or the petitioner*) is a Joint Venture company formed on 27th January 2016 by Government of Kerala (16% holding) and Dubai Holding LLC (84% holding) for development of infrastructure for knowledge-based industries. SCK is an Information Technology Special Economic Zone in Kochi. The principal activity of SCK is development of knowledge-based township called Smart City, Kochi, which includes construction of information, communication, technology and media business park and its leasing or renting. The project is spread over an area of 246 acres of land provided by the State Government on long term lease which envisioned a minimum 88 lakh sq.ft of built up space, out of which 62.10 lakh sq.ft will be specifically for Information Technology and related service.
2. The Commission vide notification No.1756/C.Engg/SCK/2013 dated 17.07.2014 granted distribution licence to SCK and the licensee started power distribution business in February 2016. The licensee vide letter dated 22.10.2021, submitted the petition for approval of capital expenditure incurred in the years 2016-17 to 2019-20. In the said petition, SCK sought approval for the capital expenditure of **Rs.1601.56 lakh** incurred towards the development of electrical distribution system in the licensed distribution area. The licensee in the petition has furnished the year wise details of the expenditure incurred. The licensee has also filed the petition for condonation of delay along with the original petition. The

Commission after duly considering the reasons for the delay in filing, condoned the delay vide Order in OP No.58/2021 dated 02.11.2021 and admitted the petition as OP No. 67/2021.

3. The year wise expenditure incurred is tabulated below;

Table 1
Year wise details of capital expenditure

Year	Rs. In Lakh
2015-16	493.31
2016-17	1.67
2017-18	0.19
2018-19	7.47
2019-20	1098.92
Total	1601.56

4. Summary of the petition filed by M/s Smart City (Kochi) is given below.
- i. The project is spread over an area of 246 acres of land provided by the State Government on long term lease. The land divided into three parcels such as Land - A with 131.40 Acres, Land – B with 100.66 Acres and Land - C with 13.94 Acres. The Phase 1 of the project constructed on land parcel A consists of a 6.5 lakh sq ft IT building and associated infrastructure which was inaugurated in February 2016.
 - ii. The Commission vide notification No.1756/C.Engg/SCK/2013 dated 17.07.2014 granted distribution licence to M/s Smart City (Kochi) Infrastructure Pvt Ltd and the licensee started power distribution business in the year 2016.
 - iii. The licensee has entered into a Power Purchase Agreement (PPA) with KSEB Ltd for a contract demand of 1500 kVA. Till August 2019, the licensee received power at 11KV from nearby 220KV Brahmapuram substation of KSEB Ltd. The 11 KV feeder is connected to two 2000 KVA transformers and LT distribution system at Smart City.
 - iv. Subsequently, from September 2019 onwards, the licensee has been drawing power from the 220 KV substation at Infopark Kochi on the basis of a Power Purchase Agreement entered into with KSEB Ltd in July 2019 for an enhanced contract demand of 3000 KVA. For this purpose, the licensee has also commissioned two 33/11 KV substations in land A and B. The investments are mainly related to laying of HV transmission cables from the utility substations to the petitioners Park Campus, construction of HV substation, construction of HT underground cable distribution networks and distribution substations for supplying power at low voltage to consumers.

- v. The Land for the project was provided by Govt of Kerala on long term lease and the petitioner considered 50 cents of land for construction of utility substation. The petitioner paid lease premium of Rs.104 Crore for 246 Acres of land and the proportionate lease premium for 50 cents considered for the distribution system.
- vi. The details of capital expenditure incurred by the licensee is given below.

Table 2
Year wise details of capital expenditure claimed by the petitioner

No	Year	Description	Contractor/ Service provider	Rs. Lakh	Total (Rs. Lakh)
1	Upto 2015-16	HT Panels	Sterling & Wilson	27.13	493.31
2		Distribution Transformer		74.52	
3		HT Cables & Termination		2.37	
4		Control Cables & Termination		0.61	
5		Earthing System		24.36	
6		Miscellaneous Items		4.86	
7		Lt Panels		48.87	
8		Busduct Works		40.46	
9		Lt Cable & Terminations		112.65	
10		Cable Tray		27.26	
11		Ups, Inverter & Associated Works		4.92	
12		11KV feeder depository work	KSEB Ltd	17.00	
13		Chief Electrical Inspector - Scrutiny fee	Government of Kerala (Apr'14)	1.92	
14		Chief Electrical Inspector - Scrutiny fee	Government of Kerala (May'14)	0.59	
15		Consultancy Fees for obtaining approvals from Chief Electrical Inspectorate	Power Skill Corporation (Aug'14)	3.80	
16		Electrical Distribution Lines	FathimaEngineering Company	80.86	
17		Leasehold Land	Government of Kerala	21.14	
18	2016-17	IT Equipment- Laptop	Magna System	0.83	1.67
19		IT Equipment- Laptop	Cloudzone IT Services Pvt Ltd	0.84	
20	2017-18	IT Equipment – Printer	Cloudzone IT Services Pvt Ltd	0.19	0.19
21	2018-19	IT Equipment- Prepaid Energy Metering System	Siemens LTD	7.47	7.47

No	Year	Description	Contractor/ Service provider	Rs. Lakh	Total (Rs. Lakh)
22	2019-20	Electrical works for Infra Development	Larsen & Toubro Ltd	547.06	1098.92
23		33KV HT Cable Laying Work	Fathima Engineering Company P Ltd.	286.86	
24		MP WP 03 - PHE Civil Works Package (Compound Wall, Water Tanks, GR, CUST, SS & Entrance Plaza)	RS Development and Constructions India (P) Ltd	197.89	
25		PD Staff cost charged to CWIP	Power Distribution Staff Cost	18.77	
26		Supply, Installation, Testing & Commissioning of ABB Make 33KV RMU Unit SS 2	Imperial Engineering Company	14.90	
27		Supply of 11KV Cable for SCK	Trans Waves Equipments Pvt Ltd	13.40	
28		MP WP 03 - PHE Civil Works Package (Compound Wall, Water Tanks, GR, CUST, SS & Entrance Plaza)Balance	Jeeva Associates	8.49	
29		Supply of Static and Numeric relays for 33KV Substation	ABB India Limited	2.04	
30		CEIG Inspection fee for 33kv Substations	CEIG Inspection fee for 33kv Substations	1.90	
31		Laisoning Work for renewal of Electrical Scheme Approval	SHINE ELECTRICALS	1.80	
32		Statutory Fee for Relay Testing to CEIGCapex Infra	Statutory Fee for Relay Testing to CEIG	1.79	
33		CEIG Statu. &Laisoning Fee for Scheme approvalCapex Infra	CEIG Statu. & Laisoning Fee for Scheme approval	1.77	
34		11KV Cable Laying Work at SS 1 & 2 and from SS to RMUs at Land B and SCK01	Neotech Engineering	1.34	
35		Connectivity Enhancement Charges to STU remitted by Infopark Kochi	Infoparks Kerala	0.50	
36		Supply of 20mm Metal at Transformer Yard, Manpower & Earth Work at SS 1 & 2	Alfa Builders	0.41	
Grand Total				1601.56	

5. On scrutiny of the petition, the Commission noted several shortcomings in the petition and sought required clarifications vide letter dated 03.02.2022. The licensee vide letter No. SCK/P16-P93/12/2022 dated 10.02.2022 furnished their reply to the clarifications sought by the Commission.

Public Hearing on the Petition

6. Public hearing on the petition was held at the Conference Hall of Smart City on 26.10.2022. The licensee was represented by Sri.Jinu John, Company Secretary, Smt. Sini.P.S, Director-Projects, and Sri.Ranjithlal, Senior Manager- Asset & Infrastructure. Sri.Ranjithlal has made power point presentation about the petition.
7. The power point presentation made by the licensee, *inter alia* includes the following ;
 - a) SCK started distribution licensee operation in February 2016 with one building commissioned with a built up area of 6.5 lakh sq ft and at that time power was sourced through a temporary arrangement.
 - b) The above building (SCK01) has one utility substation (11 kV/440 V) for distribution of power to the consumers. The cost for the utility substation was Rs.392.93 lakh.
 - c) Components procured for power sourcing includes three RMUs and 11 kV underground XLPE cable. The total cost involved for the power sourced from KSEB Ltd was Rs.100.37 lakh.
 - d) During 2016-17, 2017-18 and 2018-19 Rs.9.33 lakh was incurred for purchasing IT equipments.
 - e) From September 2019 onwards, the SCK has been drawing power from 220 kV substation at Infopark Kochi. As part of it and also with the increase in demand for power, the licensee has commissioned two 33/11 KV substation in land A and B. The total cost of the assets addition during the year 2019-20 was Rs.1098.92 lakh.
 - f) On commissioning the above, licensee had dismantled the then existing temporary arrangement for drawing power from 200 kV Brahmapuram sub station.
 - g) Out of 246 acres, 0.50 acre of land was used by the licensee for the development of utility substation. So, the licensee charged the proportionate amount of lease premium (Rs.21.14 lakh) for the distribution business
 - h) Regarding the source of funding of capital assets during the years 2016-17 to 2019-20, the licensee stated that the source of finance was equity alone
8. During the hearing, the Commission enquired about the details of estimated cost of the power distribution project and details of time overrun as well as cost overrun, if any. The Commission further sought the details of assets dismantled and its treatment in books of account. After the hearing, the Commission has sought further clarifications on the above vide letter dated 03.11.2022, which the licensee furnished on 14.11.2022.

Analysis and decision of the Commission

9. SCK is an Information Technology Special Economic Zone in Kochi. Though the Commission had granted the licence for the distribution activity vide Order dated 17.07.2014, the distribution activity of the licensee started only on 22.02.2016. The principal activity of the company is development of knowledge-based township called Smart City, Kochi, which includes the construction of information communication, technology and media business park and its leasing or renting. Among other infrastructure facilities, creation of infrastructure facilities for distribution of electricity with in the park owned by Smart City is their responsibility.
10. In the petition filed by M/s Smart City for obtaining distribution license, it was stated that, the project is spread over an area of 246 acres of land provided by the State Government on long term lease which envisioned a minimum 88 lakh sq.ft of built up space out of which 62.10 lakh sq.ft will be specifically for Information Technology and related service. As per the electrical design in Master Plan of Smart City, the power shall be received in 220 KV system of voltage level. Subsequently six 33/11 KV primary substation and distribution network with underground cables and RMUs are to be established. The system also includes supply in 415 Volt apart from 33 KV and 11 KV system voltages. The licensee further stated that inorder to avoid dead investment, they did not establish the 33 KV substations and the 220 KV substation together.
11. Accordingly, the licensee established 11 KV substation for the first building along with power sourcing in 11 KV system voltages which shall be followed by two 33/11 KV substations, one each in land A and Land B and two of 11/415 transformer secondary substations to cater the need of LT consumers and to provide power for utilities like street light, pumps etc. in the first phase. However, the 11 KV RMU's are to be installed in the entire route as given in the Master Plan so that power can be provided to any developer on request by laying cable and energizing the RMUs.
12. The total investment required as per the Master Plan was Rs.143 Crore approximately. The details are as follows.
 - a) Phase I (in 2014-15) for establishing 11 KV / 415 V substation for the first building, sourcing power from Brahmapuram substation using cables and RMU's - Rs 16 Crore (establishing sub - station with all accessories tender estimate Rs. 10 Cr, three DG sets - Rs. 5 Cr and availing power from KSEB Ltd including RMU's with spare cubicle Rs.1 Cr)
 - b) Phase II (in 2015-16) for establishing two of 33 KV / 11 KV substation – Rs. 28 Crore (two 33 KV substation with all accessories, four 11/415 V substation, 2000 KV DG set for common area, 11 KV Cable and

RMU throughout the park, 33 KV yard development at KSEB Ltd, clearance fee etc.)

- c) Phase III (in 2016-17) the balance four 33 KV / 11 KV substations, 33 KV cabling, additional four 33 KV feeder from power source - Rs.49 Crore (four 33 KV substations Rs. 24 Cr, Power sourcing feeder with spare - Rs. 16 Cr, Cabling and RMU's - Rs. 4 Cr, statutory fee and clearances Rs. 5 Cr - Total Rs. 49 Cr)
 - d) Phase IV, (in 2017-18) 220KV / 33 KV substations, if required. It is stated that, if the licensee decides to go in for its own 220 KV substation, SCK shall start the work during 2015-16 itself and to be tendered in the beginning of 2017. An amount of Rs. 50 Cr was estimated for the purpose.
13. Distribution business of the licensee is governed by the licensing conditions, Regulations and Orders issued by the Commission from time to time. The Kerala State Electricity Regulatory Commission (Licensing) Regulations, 2006 specifies the duties and obligations of the licensee, required compliance with laws, rules and regulations, the methodology to be followed with regard to capital investments etc.
14. Clause 24 of the distribution license issued to SCK specified the methodology to be followed in capital investments. The relevant portion of the clause 24 of the license is reproduced below.

“ 24. Investments - (1) The distribution licensee shall duly comply with the regulations, guidelines, directions and orders that may be issued by the Commission from time to time with regard to the investments to be made in the distribution business.

(2) The distribution licensee shall, within three months from the date of coming in to force of the distribution licence, submit to the Commission for its approval a business plan containing the following details.

- (i) specific action plan;*
- (ii) metering plan for metering interface points;*
- (iii) investment plan;*
- (iv) treatment of previous losses;*
- (v) debt restructuring plan;*
- (vi) cost reduction plan;*
- (vii) projected profit and loss account;*
- (viii) projected balance sheets;*
- (ix) projected cash flow statements; and*
- (x) projected important financial parameters.*

(3) The licensee shall update the business plan annually.

(4) The distribution licensee shall submit to the Commission investment plans as a part of the business plan giving details of investment schemes to be undertaken during the concerned period for the approval of the Commission.

(5) The licensee shall within one year of grant of licence, prepare a perspective plan for five years, for upgrading the distribution system, anticipating growth in load in the area of supply and submit the same to the Commission for its approval.

(6) Based on the business plan as specified in clause (2) above and the perspective plan as specified in clause (5) above, the licensee shall prepare an annual plan for executing works to meet the requirement of growth in load and for upgrading distribution system.

(7) The licensee shall submit to the Commission, its annual plan for executing works, giving sources of its funding, along with the petition for the approval of ARR & ERC for the following financial year.

(8) The distribution licensee shall make the investments in a prudent manner being guided by the duty to build, maintain and operate an efficient, coordinated and economical distribution system.

(9) The distribution licensee shall demonstrate to the satisfaction of the Commission that,

(a) there is a need for such investments in the distribution system contained in the investment plan, and that;

(b) the distribution licensee has examined the technical, economic, social and environmental aspects of all viable alternatives to the proposal for investing in or acquiring new distribution system assets to meet such need.

(10) The distribution licensee shall intimate, by the end of the first quarter of each financial year,

(a) the annual investment plan with details of investment schemes to be carried out during the financial year; and

(b) the progress made in implementing the annual investment plan of the previous financial year with the comparison of actual achievement vis-a-vis the plan as approved by the Commission for the concerned period.....

.....”

15. As per the provisions quoted above the licensee is required to seek prior approval of the Commission for the capital investments. However, the licensee had not sought any prior approval for the capital investments, stating that many of the investments were made in the early stages of the licensee's operations. The Commission views that the licensee has violated the provisions of KSERC (Licensing) Regulations, 2006 and the conditions of the license issued to the licensee. The Commission has not allowed depreciation and other finance charges for the assets while approving the ARR&ERC and Truing Up of accounts over the years due to the lack of obtaining formal approval for the Capital Investment. The Commission had in the Daily Order dated 14-09-2021 given specific directions to the licensee to file proper petition for the approval of Capital Investment.

Accordingly, the petition for capital expenditure of Rs.1601.56 lakh for the period upto 2019-20 was filed before the Commission.

16. Before analysing the investments made by the licensee, the Commission had gone through the consumer mix and sales over the years. The consumer mix and sales of the licensee over the years is shown below.

Table 3
Consumer mix and sales

Category	2016-17		2017-18		2018-19		2019-20	
	Number of consumers	Energy Sales (Lakh units)	Number of consumers	Energy Sales (Lakh units)	Number of consumers	Energy Sales (Lakh units)	Number of consumers	Energy Sales (Lakh units)
LT Consumer	23	3.23	30	9.78	33	17.24	50	23.82
HT Consumer	1	7.09	1	16.31	2	15.44	3	20.39
Total	24	10.32	31	26.09	35	32.68	53	44.21

17. It is seen that the increase in the number of consumers and sales over the years is only minimal which is not substantial enough considering the master plan of SCK. It is also noted that major LT connections are temporary in nature which are taken for construction purpose. It is also pertinent to note that, the project which is spread over an area of 246 acres of land envisioned a minimum 88 lakh sq.ft of built up space out of which 62.10 lakh sq.ft will be specifically for Information Technology and related service. Even after eight long years of existence, the level of operation is not improving as expected and the distribution business remained at a very low level with only 6.5 lakh sq ft built up area, constructed at the initial stage.
18. Considering the limited area of operation and positively expecting an increasing trend in the number of consumers and sales in the future years, the Commission is of the view that the capital expenditure incurred over the years is to be considered.
19. Accordingly, to obtain a holistic picture with regard to the capital expenditure incurred, Commission sought the details of the source of funding of the project as a whole. The licensee has submitted the source of funding of the capital expenditure and has stated that the capital for the development of the Parks has been met by equity contribution/ internal accruals and term loan from State Bank of India (erstwhile State Bank of Travancore) which has been duly serviced by the petitioner till date. The year wise source of funding for the distribution assets as submitted in the petition is shown below.

Table 4
Source of funding of Assets

Asset Category	Year of Addition	Asset Value (Rs. lakh)	Funding Details
Leasehold Land	2015-16	21.14	Equity
Electrical Distribution System	2015-16	391.30	Equity/Loan
Electrical Distribution Lines	2015-16	80.86	Equity/ Internal Accruals
IT Equipments	2016-17	0.83	Equity/ Internal Accruals
IT Equipments	2016-17	0.84	Equity/ Internal Accruals
IT Equipments	2017-18	0.19	Equity/ Internal Accruals
IT Equipments	2018-19	7.47	Equity/ Internal Accruals
Substation Equipment & Transformer	2019-20	430.05	Equity/ Internal Accruals
Substation Office & Plant Room	2019-20	103.19	Equity/ Internal Accruals
Substation Equipment & Transformer	2019-20	462.49	Equity/ Internal Accruals
Substation Office & Plant Room	2019-20	103.19	Equity/ Internal Accruals
Grand Total		1601.55	

20. Vide clarification dated 10.02.2022 the licensee submitted copy of the extract of Smart City board minutes wherein, it was stated that the capital expenditure on distribution assets have been incurred from internal accruals and loan, whereas, during the hearing, it was stated that the source of finance was equity alone. The Commission sought clarifications in this regard and licensee submitted vide letter dated 14.11.2022 that, there was an oversight error, as it was incurred in initial stages of the projects and reiterated that the source of funding was equity alone. The licensee has also stated that necessary board approval will be submitted after completion of December-2022 board meeting. **Accordingly, the Commission is of the considered view that the source of capital expenditure incurred by the licensee for the creation of distribution assets was equity and can be considered for approval subject to the condition that the licensee shall submit the extract of the Board Minutes confirming the above that the source of finance was equity alone.**
21. The licensee in the petition has also stated that, during the inception period of distribution activity (ie upto 2015-16), the licensee already had distribution assets of Rs.493.31 lakh. Accordingly, the Commission is considering the capital expenditure incurred for the period of up to 2015-16, during 2016-17, 2017-18, 2018-19 and 2019-20 separately in the following paragraphs.

Assets addition upto 2015-16

22. The licensee had commissioned only one IT building inside Smart City campus, named as SCK01. For providing power to this building the licensee entered Power Purchase Agreement (PPA) with KSEB Ltd for a contract demand 1500 kVA and hence power was sourced through a temporary arrangement. The power was sourced from 220 kV Brahmapuram substation through one number of 11 kV feeder.

23. In the petition, the licensee stated that, the dedicated feeder from the substation is provided by KSEB Ltd on deposit work basis. The remaining part of work from KSEB Ltd to licensee network includes metering panel, ABT meter and UG cables. The project was executed by the contractor M/s. Fathima Engineering selected through bidding process. The electrical distribution system consists of 11 KV RMU, 2*2000 KVA transformer panels and metering panels to consumers. This contract was executed by M/s. Sterling & Wilson Ltd. This contractor was also selected through competitive bidding process.
24. The land for the park business and electricity distribution business (total 246 acres) was obtained through a long-term lease of 99 years. The lease agreement was entered into between the licensee and Government of Kerala in consideration of lease premium of Rs.104.00 crore and the petitioner considered 50 cents of land for construction of utility substation. The following table shows the detailed split-up of capital expenditure of Rs.493.32 lakh for the period upto 2015-16.

Table 5
Details of Assets upto 2015-16

Description	Rs. lakh
HT Panels	27.13
Distribution Transformer	74.52
HT Cables & Termination	2.37
Control Cables & Termination	0.61
Earthing System	24.36
Miscellaneous Items	4.86
Sub Total for HT Works	133.85
LT Panels	48.87
Sub Total for LT Panel	48.87
Busduct Works	40.46
Sub Total for Bus Duct Works	40.46
LT Cable & Terminations	112.65
Cable Tray	27.26
Sub Total for LT Works	139.91
UPS, Inverter & Associated Works	4.92
Sub Total for UPS Works	4.92
11 KV HT Cable Laying Works	80.86
Sub Total for HT Cable Laying Works	80.86
11KV feeder depository work- KSEB Ltd	17.00
Chief Electrical Inspector - Scrutiny fee	1.92
Chief Electrical Inspector - Scrutiny fee	0.59
Consultancy Fees for obtaining approvals from Chief Electrical Inspectorate	3.80
Sub Total for Other Works	23.31
Leasehold Land	21.14
Sub Total of Leasehold Land	21.14
Grand Total	493.32

25. The licensee stated that, all the assets detailed above were commissioned on 20.02.2016 and which is put in use in April 2016. As per the provisions of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014, capitalisation of any assets is permitted only after its commissioning and after it is put into use. **Considering the fact that the assets were essential for the distribution activity of the licensee, the Commission hereby approves the capital expenditure of Rs.493.32 lakh incurred for the period upto 2015-16.**

Assets Addition during the years 2016-17, 2017-18 and 2018-19

26. The assets additions made by the licensee during the years 2016-17, 2017-18 and 2018-19 are tabulated below.

Table 6
Details of Assets for the years 2016-17, 2017-18 and 2018-19

2016-17	IT Equipment- Laptop	0.83	1.67
	IT Equipment- Laptop	0.84	
2017-18	IT Equipment – Printer	0.19	0.19
2018-19	IT Equipment- Prepaid Metering System	7.47	7.47

27. The licensee submitted that during the year 2016-17 the licensee had purchased two laptops for the employees involved in distribution licensee activity. The laptops were supplied by Magna Systems and Cloudzone IT Services Pvt Ltd at a total costs of Rs.1.67 lakh. In 2017-18, the licensee has purchased a printer from Cloudzone IT Services Pvt Ltd for Rs.0.19 lakh. In 2018-19, the pre-paid billing system installed for consumers at SCK01 at Rs.7.47 lakh. The system and software were supplied by M/s. Siemens Ltd. The scope of work includes supply, installation, testing and commissioning of DDC controllers, DDC panels, supply and laying of 400 meters and software for prepaid billing.
28. **After considering the details and documents submitted by the licensee, the Commission hereby approves the capital expenditure Rs.1.67 lakh for the year 2016-17, Rs.0.19 lakh for the year 2017-18 and Rs.7.47 lakh for the year 2018-19.**

Assets Addition during the year 2019-20

29. During the year 2019-20, the licensee had incurred capital expenditure for two 33/11 kV substations and 33 kV Cable Ring main at licensee distribution area at a cost of Rs.1098.92 lakh. In the clarification letter dated 10.02.2022, the licensee has stated that the primary distribution inside the licensee area is proposed using six numbers of 33/11 kV substations situated at various locations spread across 246 Acres of Land. The initial intend was to construct a 33-kV ring main formation with underground cables to feed six numbers of 33/11 kV substations. Since only few developers started work at Land - A and Land- B, the

management decided to start construction of one 33/11 kV substation at Land - A and another one at Land - B to cater the power requirement. Major activities involved in the scheme was construction of 33/11 kV receiving station building, transformer plinths and other associated civil works, installation of 33kV switchgear panels, installation of 8 MVA 33/11 kV transformers, installation of 11 kV panels, installation of 33 / 0.433 kV station transformer for auxiliary supply and laying of 33 kV cable network in ring formation.

30. The licensee has submitted the need of investment as follows.
- a) To strengthen the distribution system to meet the normal load growth.
 - b) Present 11 kV system is inadequate to accommodate new consumers. Also noticed frequent outages in 11 kV feeder from Brahmapuram substation.
 - c) SCK utility substation is also inadequate to accommodate the new consumers at different locations at Land-A.
 - d) Since Land-B is far away from SCK utility substation, the power connection to consumer at Land-B is not feasible from SCK utility substation at Land-A.
 - e) The Existing 11 kV system not having redundancy
 - f) To increase the reliability of the system
 - g) For improving the quality of supply to consumers.
31. The licensee also stated that, the scheme for the substation is approved by Chief Electrical Inspector to Government, Kerala. The voltage level is at 33 kV and N+1 redundancy in incoming feeder and the proposed investment which will improve the technical reliability of the system. The proposed two numbers 33/11 kV substation are with the ring network at Land-A and Land-B. The details of the capital expenditure incurred during 2019-20 is as follows.

Table 7
Details of Assets Additions for the year 2019-20

Description	Contractor/ Service provider	Rs. Lakh
Electrical works for Infra Development	Larsen & Toubro Ltd	547.06
33KV HT Cable Laying Work	Fathima Engineering Company P Ltd.	286.86
MP WP 03 - PHE Civil Works Package (Compound Wall, Water Tanks, GR, CUST, SS & Entrance Plaza)	RS Development and Constructions India (P) Ltd	197.89
PD Staff cost charged to CWIP	Power Distribution Staff Cost	18.77
Supply, Installation, Testing& Commissioning of ABB Make 33KV RMU Unit SS 2	Imperial Engineering Company	14.90

Description	Contractor/ Service provider	Rs. Lakh
Supply of 11KV Cable for SCK	Trans Waves Equipment's Pvt Ltd	13.40
MP WP 03 - PHE Civil Works Package (Compound Wall, Water Tanks, GR, CUST, SS & Entrance Plaza)Balance	Jeeva Associates	8.49
Supply of Static and Numeric relays for 33KV Substation	ABB India Limited	2.04
CEIG Inspection fee for 33kv Substations	CEIG Inspection fee for 33kv Substations	1.90
Laisoning Work for renewal of Electrical Scheme Approval	SHINE ELECTRICALS	1.80
Statutory Fee for Relay Testing to CEIGCapex Infra	Statutory Fee for Relay Testing to CEIG	1.79
CEIG Statu. &Laisoning Fee for Scheme approval Capex Infra	CEIG Statu. &Laisoning Fee for Scheme approval	1.77
11KV Cable Laying Work at SS 1 & 2 and from SS to RMUs at Land B and SCK01	Neotech Engineering	1.34
Connectivity Enhancement Charges to STU remitted by Infopark Kochi	Infoparks Kerala	0.50
Supply of 20mm Metal at Transformer Yard, Manpower & Earth Work at SS 1 & 2	Alfa Builders	0.41
Total		1098.92

32. The Commission examined the submissions made by the licensee. Major investment during the year 2019-20 is towards electrical works for infrastructure development, 33KV HT cable laying work and civil works which sums up to a total cost of Rs.1031.81 lakh. The remaining expenditure of Rs. 67.11 lakh is towards other works relating to 11 KV substation. **Considering the necessity of the 33/11 KV substations inside the license area, the Commission approves the capital expenditure of Rs.1098.92 lakh for the year 2019-20.**
33. **Accordingly, the Commission decides to provisionally allow depreciation, interest and finance charges and RoE for the capital expenditure incurred by the licensee for the periods upto 2015-16 and thereafter during 2016-17, 2017-18, 2018-19 and 2019-20. The provisionally approved depreciation, interest and finance charges and RoE shall be finalised subject to submission of details of board approval with regard to source of funding of the assets mentioned in para 20 of this Order. The provisionally approved depreciation, interest and finance charges and RoE for the period 2016-17 to 2019-20 shall reflect in the Order on Truing Up of Accounts for the year 2019-20.**

Assets Dismantled

34. The licensee has stated that upto the month of August-2019, the licensee had taken the power directly at 11 kV voltage level from 220kV Brahmapuram substation of KSEB Ltd, whereas from September-2019, the licensee has been drawing power through Infopark network utilising the aforementioned 33/11 KV substation. The licensee also stated that they have dismantled some of the assets in view of the new arrangement. On the basis of clarifications sought by the Commission, the licensee has furnished details of the assets dismantled which are as follows;

Table 8
Assets Dismantled

Particulars	Rs.lakh
Cable 3x300 sq.mm 11 KV XLPE Al cable (500 Mtrs – Rs.1405/mtrs)	7.03
Supply of end termination for 11 KV 3Cx300 sq.mm XLPE Al flat armoured cable	0.06
HT RMU, relay and accessories	6.50
Supply & installation, testing and commissioning of ABT meter (Main & Check)	4.75
Total	18.34

35. The details submitted has been considered by the Commission and is of the view that the assets in use for drawing power till the month of August-2019 and dismantled thereafter is to be withdrawn from the books of accounts. **Accordingly, the Commission decides to disallow depreciation, interest and finance charges and RoE on the dismantled assets valued Rs.18.34 lakh with effect from September 2019.**

Orders of the Commission

36. The Commission, after examining the petition filed by the licensee for the approval of Capital Expenditure incurred from the inception (ie 2015-16) to 2019-20 in line with the provisions of the Electricity Act, 2003, KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014, KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 and other relevant Rules and Regulations in force, hereby issues the following Orders and directives for compliance by the licensee.
- a) Approves the asset addition of Rs.1601.56 lakh for the period upto 2019-20. The licensee is eligible to claim the depreciation, interest and finance charges and Return on Equity on the assets provisionally, subject to compliance of the condition mentioned in Para 33 of this Order.

- b) The licensee shall submit the extract of the resolution passed by the Board of Directors regarding the source of funding assets within one month of issue of this Order.
- c) The licensee should carry out necessary adjustments in books of account regarding the dismantled assets of Rs.18.34 lakh.
- d) Commission noticed that the distribution infrastructure including one 33 kV substation installed in land parcel B has not been put to use at optimum level for want of consumers/demand. Therefore, the licensee is hereby directed to put in their earnest efforts to attract more consumers, in order to make the licensee's operations more cost effective

37. With the above, the petition is disposed of. Ordered accordingly

Sd/-
Adv. A.J. Wilson
Member (Law)

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