

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

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

OA 02/2019

In the matter of Application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Smartcity, Kochi

Applicant(s) : The Chief Executive Officer,
Smart City (Kochi) Infrastructure Private Limited
Smart City Pavilion
Brahmapuram P.O
Kochi 682303

Applicant(s) represented : Sri. Manoj Nair, CEO, Smart City,
Smt. Sini.P.S, Director-Projects
Sri.Jinu John, Director- Finance & Company Secretary
Sri.Ranjithlal, Senior Manager- Asset & Infrastructure

Daily Order dated 29-03-2019

Conducted hearing on the application for the approval of ARR& ERC for the control period 2018-19 to 2021-22 filed by M/s Smartcity, Kochi at the Conference Hall of Smart City on 22-03-2019. The licensee was represented by Sri. Manoj Nair, CEO, Smart City, Smt. Sini.P.S, Director-Projects, Sri.Jinu John, Director- Finance & Company Secretary and Sri.Ranjithlal, Senior Manager- Asset & Infrastructure. Smt. Sini.P.S presented the details of the application and Sri.Jinu John & Sri.Ranjithlal responded to the queries of the Commission. The main points submitted in the petition are briefed below.

- The petitioner stated that the projections are based on the actual status as on September 2018 and proposes revenue gap for each year of the control period.
- For the year 2018-19, the proposed sale is 32.26 MU. This is based on the expectation that 2 HT II General Consumers (S.G Academy and Sands Infra), shall contribute to the major sales for the subsequent year of the control period, the sales projected is 94.50 MU for 2019-20, 97.61 MU for 2020-21 & 136.96 MU for 2021-22. The licensee has estimated a distribution loss of 2.20 % for the control period.

- O&M includes controllable expenses like Employee cost, R&M Expenses & A&G Expenses. The licensee has projected a 10% increase O&M for each year of the control period.
- The employee cost projected for the control period is considering the full salary of resident engineer, accountant & engineer.
- The licensee submitted that the Repair and maintenance is outsourced based on competitive tenders and being IT park working on 24 hr basis, it is required to engage one shift operator and one shift assistant in all the three shifts. i.e. round the clock operating staff is engaged. Same operating staff is arranged for doing preventive and break down maintenance. For specialised breakdown maintenance manpower is outsourced. The licensee also submitted that, as the defect liability period is over for many systems, AMC contracts is signed with contractor finalised through competitive bidding process and the materials required for maintenance is purchased directly based on open tenders.
- The A & G Expenses proposed, includes telephone, postage, audit charge, stationery, internet, statutory, security charges and license fee.
- Depreciation has been claimed under the straight line method as per the schedule prescribed in the Tariff Regulations 2018. The licensee has projected an amount of Rs.84.00 lakh as Depreciation for 2018-19 and Rs. 131.00 Lakh for remaining years which includes depreciation for existing 11KV/430V distribution system and 33KV/11 KV distribution system.
- The licensee has claimed Return on net fixed assets as a rate of 3%.
- The revenue projections are as per the prevailing tariff rates and the Non Tariff Income proposed includes interest on security deposit and the collection charges for electricity duty.

Smt. Mehrunisa, Executive Engineer TRAC, Sri. Manoj.G, AEE, TRAC and Sri. Ajith Kumar.G, DAO, TRAC represented KSEB Ltd. Sri. Manoj.G presented the counter statement/comments of KSEB Ltd. and submitted written remarks on the application. The major points raised by KSEB Ltd are abstracted below.

- Since licensee is operating for the last 3 years, the licensee has to project the expenditure based on the actual cost incurred by them for the previous years. The assumptions taken for projection and the base value for projection for the years are not explained in the ARR petition. The O&M of smart city may be fixed based on the prudence check conducted on the actual expense during previous years
- Distribution loss stated by the licensee for 2017-18 is 4.43% and the loss calculated for the control period is above 2% which is on the higher side for the licensee supplying power to just about 50 consumers in a confined area. Distribution loss can be reduced to less than 2%.
- The Power purchase cost projected seems to be unrealistic and the same may be reviewed

- The projected R&M expenses is on the higher side considering other distribution licensees catering very less consumers. The R&M expenses may be limited and fixed at reasonable amount.
- The employee cost consists of salary and benefits paid to own employees. As the R&M is on contract basis, the salary of employees projected to serve the limited consumers of around 50 numbers is on the higher side. The employee cost may be limited to similar licensees.
- The A&G cost projected is also higher side which may also be limited comparing with the actual values of previous years and that of similar licensees.
- KSEB Ltd submitted that, the GFA is to be approved for claiming depreciation. Depreciation may be allowed only after fixing eligible GFA after prudence check of Commission.

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

- The reason for sudden decrease proposed in the distribution loss for the control period in comparison with the actual distribution loss for 2017-18.
- Distribution loss reduction targets proposed for the control period and its justification.
- Details of power purchase and connectivity agreements proposed by the licensee.
- Details of the number of employees for distribution business and their salary
- Apportionment details of A&G Expenses, R&M Expenses & Employee Cost
- Details of the Operation & Maintenance contract, number of persons engaged & Annual Maintenance Contract of the licensee, the nature of the contract and the type of work done
- Mismatch in the claims in the write up and forms submitted are to be addressed (R&M Expenses, A&G expenses)
- Details of the source of funding of distribution assets

The licensee shall furnish the reply on the counter statement submitted by KSEB Ltd and the details called for by the Commission, on or before 20-04-2019.

Hearing concluded. Reserved for orders.

Sd/-
K.Vikraman Nair
Member

Sd/-
S.Venugopal
Member

Sd/-
Preman Dinaraj
Chairman

Approved for issue
Sd/-
G.Jyothichudan
Secretary