

**KERALA STATE ELECTRICITY REGULATORY
COMMISSION**

THIRUVANANTHAPURAM

Petition No: OP 13/2023

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

In the matter of : Petition filed by M/s SmartCity (Kochi) Infrastructure Private Limited for approval of ARR & ERC for the Control Period 2022-23 to 2026-27

Petitioner : M/s SmartCity (Kochi)Infrastructure Private Limited

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

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
Smt. Biji Christudas, Assistant Engineer, KSEB Ltd

Date of Hearing: : 10.03.2023 at the Conference Hall
SmartCity Pavilion, Kochi

Daily Order Dated 15.03.2023

1. M/s SmartCity (Kochi) Infrastructure Private Limited (hereinafter referred to as SCK or the licensee or the petitioner) is an Information Technology Special Economic Zone in Kochi, Kerala. SCK is a Joint Venture company formed by Government of Kerala (16% holding) and Dubai Holding (84% holding) for development of infrastructure for knowledge-based industries. The licensee has filed the present petition for the approval of ARR & ERC for the Control Period 2022-23 to 2026-27 as per the provisions of Tariff Regulations 2021.
2. The public hearing on the petition was conducted on 10-03-2023 at the Conference Hall, SmartCity Pavilion, Kochi. The licensee was represented by Sri.Jinu John Jacob, Company Secretary, Smt. Sini P.S, Senior Director-Projects and

Sri. Ranjithlal, Senior Manager- Asset & Infrastructure. Sri. Rajan, Deputy Chief Engineer, TRAC, Sri. Ajith Kumar K.N, Executive Engineer and Smt. Biji Christudas, Assistant Engineer represented KSEB Ltd. The consumers in the license area also participated in the hearing. Sri.Ranjithlal presented the petition before the Commission and clarified the queries of the Commission.

3. The main points of the petition for approval of ARR & ERC are briefed below.

- The licensee has projected increase in the number of consumers and sales (12 % to 15%) during the control period. The licensee has stated that growth is expected considering additional load anticipated from new consumers.
- The licensee has projected year on year distribution loss reduction. Smart City is sharing the losses of Infopark in proportion to the energy sourced apart from the own distribution loss.
- Power purchase cost increases year on year, duly considering the increase in sales.
- With regard to employee cost, the licensee has projected year on year increase during the control period. The licensee has no permanent employees engaged in the distribution business instead, services of employees of the principal business are utilised. The licensee has apportioned 50% of the total salary of three employees towards the distribution business activity.
- The repair and maintenance expense projected by the licensee includes the O&M cost of the outsourced agency and for materials and services. The operation, routine repairs and maintenance of the distribution system is carried out through contractors. The licensee has stated that the contract is awarded after a due transparent process of competitive tendering as per the existing rules of the company. The licensee has also stated that, one operator is employed at substation round the clock, for overall co-ordination one technical executive and for cleaning two staff also considered. The cost for spares, one time maintenance cost and AMC contracts are also included as part of the R&M expense.
- The A&G expenses projected by the licensee includes Insurance, Telephone & Postage, Water charges, Printing & Stationery, Office Expenses, V-sat, Internet and related charges. The licensee has claimed Energy Audit Fee and Duty under Section 3 of the Kerala Electricity Duty Act as part of A&G expenses

- The licensee has stated that no capital investment plan has been included and a separate capital investment petition will be submitted after detailed study for approval.
 - The licensee in the petition had claimed depreciation for the assets, interest on normative loan and Return on Equity which is 14% return on the 30% of the equity.
 - Revenue from sale of power for the control period is based on the sales projection considering the pre-revised tariff up to 26th June 2022 and the prevailing tariff for all the remaining years. The licensee projects a revenue growth ranging between 11% to 22 %.
 - With regard to Non-Tariff Income, only a minor increase is projected. Major part of the non-tariff income (90%) is from the interest on security deposit with KSEB Ltd and interest of FD. The income from interest on delayed or deferred payment of bills are reducing year on year by 2%. The licensee expects the bill payment by consumers to be more regular and the late payment surcharge income would get reduced.
 - Accordingly, in the petition, the licensee has projected revenue gap for all the years of the Control Period.
4. During the hearing, the licensee submitted before the Commission that they have revised the current petition based on the decision of the board, wherein it was decided and concluded that the capital expenditure of the distribution licensee has been met out of loan and internal accruals. Accordingly, the projection on depreciation, interest on normative loan and RoE is revised. The licensee stated that the revised petition shall be submitted before the Commission without much delay.
 5. Sri. Rajan, Deputy Chief Engineer, TRAC, Sri. Ajith Kumar K.N, Executive Engineer and Smt. Biji Christudas represented KSEB Ltd. Smt. Biji Christudas submitted the views of KSEB Ltd on the petition and submitted that the written comments shall be furnished subsequently.
 6. The following details/ clarifications may be furnished before the Commission for consideration while finalization of Order.
 - a. As per the extract of the Board Resolution passed by the Board of Smart City, the total capital expenditure of Rs.16.02 crore incurred upto 2020-21 was met out of loan (Rs.4.26 crore) and internal accruals (Rs.11.76 crore). Licensee shall furnish supporting details, such as terms and conditions of loans, financial statements showing internal accruals to clarify the same.

- b. There is calculation errors in the projections on Revenue from Sale of Power and the tariff applied for the full year 2022-23 is the revised tariff instead of applying the pre-revised tariff upto June 2022, which is to be revised.
- c. As per the Tariff order dated 26th June 2022, the energy charges for consumers under HT II –B General category has been divided into two slabs.
 - Monthly consumption up to 30000 units - Rs. 6.8 per kwh
 - Monthly consumption above 30000 units - Rs. 7.80 per kwh

Though the licensee has applied the higher rate of rupees 7.80 kwh in the year 2022-23, for the remaining years of the control period, the lower rate at rupees 6.80 kwh only has been applied even when the total estimated energy sales during all the years is more than 30000 kwh per month. The statements furnished may be revised accordingly.

- d. In the year 2024-25, under LT IV (B) IT & ITES, there is an increase of 10 numbers of consumers whereas, the corresponding total connected load has increased only by 50 KW. It may be seen that the average connected load per consumer during previous period was 35KW. The methodology adopted by the licensee needs clarification.
- e. In the year 2022-23, the connected load of 48 consumers under LT IV (B) IT & ITES category is 2250 KW. It may be seen that during 2023-24, though the number of consumers increased to 63, the connected load remains at 2250 KW, which is to be revisited.
- f. Detailed working sheets of Power Purchase and Sales is to be submitted to check accuracy. (Form D 2.1 and D 3.1)
- g. Projection of purchase of power and the corresponding sales (contract/maximum demand) is not realistically estimated, which may lead to erroneous projections. Thus the statements may be reviewed and correction is to be carried out, wherever required.
- h. Employee Cost – Form D 3.4 a - In the projection of employee cost, the licensee has estimated gratuity payment for the control period. The licensee is to specify the methodology adopted for estimating the gratuity payment and clarify whether any retirement is expected or the payments are against any annuity plan.
- j. Solar power – Though the licensee/ co-developer has installed Solar PV plants having total capacity of 717.40 kWp, the corresponding reduction in energy purchase / sales is not envisaged. The licensee is to clarify the same. Also the solar generation by the prosumers has to be included in the projections.
- k. While truing up the accounts for the year 2019-20, assets of Rs.18.34 lakh were dismantled in view of arrangement with regard to drawing of power. The dismantled assets are still part of Gross Fixed Assets and have claimed depreciation, which need to be revised.

7. Commission in the Order on truing of accounts for the year 2019-20 dated 21.12.2022 in OP 59/2022 had viewed that loading the same rate of distribution loss approved for power distribution system in Infopark for the transmission of power to SmartCity through the 220/33 KV substation is not prudent and had directed that all the three parties of the PPA (SmartCity, Infopark and KSEB Ltd) to review the PPA specifically with regard to clause 8.1 and a considered decision is to be taken to rectify the anomaly. Commission sought the current status with regard to addressing the said issue. SmartCity and KSEB Ltd informed that meetings have been conducted. Commission directed that the parties shall sit together and reach to a consensus, duly identifying an appropriate formula in addressing the matter in a prudent manner. Commission also stated that, if the licensees are not able to address the issue, a technical report can be submitted to the Commission, so that the Commission can analyse and reach to a considered decision. The same may be expedited.
8. Commission directed SmartCity to submit a deviation statement (item-wise), in view of the significant variation in Revenue from Sale of Power, depreciation, interest on normative loan, return on equity explaining the effect of changes in Revenue Gap and reasons for such variations compared to the original petition. The licensee shall also submit reply to the clarifications sought and furnish the revised submission at the earliest. KSEB Ltd was directed to submit their opinion/stand with regard to KSEB Ltd meeting the RPO and their written comments on the petition. SmartCity shall submit their counter, if any on the comments of KSEB Ltd.
9. The details shall be furnished on or before 24.03.2023. In case submission of details are not made within the date stipulated, the Commission shall presume that the licensee has no further submissions to make and the Order shall be finalized accordingly.

Sd/-
Sri. B. Pradeep
Member

Sd/-
Adv. A. J. Wilson
Member

Sd/-
Sri. T.K Jose
Chairman

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