



# **KERALA STATE ELECTRICITY REGULATORY COMMISSION**

## **ANNUAL REPORT 2004-05**

**August, 2005**

## Annual Report 2004-05

### INDEX

1	Introduction	1
2	The Commission	1
3	Functions of the Commission	2
4	Mission of the Commission	3
5	Chairman and Members of the Commission	4
6	Commission's Office	4
7	Human Resources	4
8	State Advisory Committee	6
9	Meetings held by the Commission	8
10	Petitions received by the Commission	10
11	Orders issued by the Commission	11
12	Regulations issued by the Commission	19
13	Application of Information Technology	19
14	Membership of the Forum of Indian Regulators	20
15	Finance and Accounts	21
16	Regulatory Impact Assessment	23
17	Engagement of Internal Auditors	29
18	Other Activities	29
19	Conclusion	29

# KERALA STATE ELECTRICITY REGULATORY COMMISSION

## ANNUAL REPORT 2004-05

### 1 INTRODUCTION

The Kerala State Electricity Regulatory Commission has completed more than two years of its existence since it was established in November, 2002. During this period, the Commission has endeavoured to set up a fair, transparent and objective electricity regulatory process in the State of Kerala. The present Annual Report, the second of the Commission, presents the activities of the Commission during the financial year 2004-05. This report also includes, where appropriate, information on events/actions subsequent to 31.3.2005 and up to the date of preparation of this Report to provide a coherent account of the functioning of the Commission, wherever necessary.

### 2 THE COMMISSION

The Kerala State Electricity Regulatory Commission was constituted under the provisions of Subsection (1) of Section 17 of the Electricity Regulatory Commissions Act, 1998. The Commission was constituted *vide* Government of Kerala Order (Ms) No.34/2002/PD dated 14<sup>th</sup> November, 2002 notified in the Govt. of Kerala Gazette, Extra Ordinary dated 18<sup>th</sup> November, 2002. The Kerala State Electricity Regulatory Commission is a body corporate having perpetual succession and a common seal, with power to acquire, hold and dispose of property, both movable and immovable, and to contract and shall, by the said name, sue or be sued. In addition, the Commission is a quasi-judicial body. With

effect from 10<sup>th</sup> June, 2003, the Commission has come under the purview of the Electricity Act, 2003, as the Electricity Regulatory Commissions Act, 1998 has since been repealed.

The Commission consists of Chairman and two Members. In recognition of the need for multi-disciplinary approach while addressing issues related to independent regulation, the statute prescribes that the Chairman and Members shall be persons of ability, integrity and standing who have adequate knowledge of, and having shown capacity in, dealing with problems relating to engineering, finance, commerce, economics, law or management. The Chairman and Members are appointed by the Government of Kerala on the recommendation of a selection committee constituted by the State Government as prescribed under the statute. The statute also provides for the appointment of a Secretary, functioning under the Commission, whose powers and duties are defined by the Commission.

### **3 FUNCTIONS OF THE COMMISSION**

The Commission is vested with the responsibility of discharging the following functions:

- (a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State;
- (b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- (c) facilitate intra-State transmission and wheeling of electricity;
- (d) issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their

operations within the State;

- (e) promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;
- (f) adjudicate upon the disputes between the licensees and generating companies and to refer any dispute for arbitration;
- (g) levy fee for the purposes of the Electricity Act, 2003;
- (h) specify State Grid Code;
- (i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
- (j) fix the trading margin in the intra-State trading of electricity, if considered, necessary;
- (k) discharge such other functions as may be assigned to it under the Electricity Act, 2003;
- (l) advise the State Government on all or any of the following matters, namely:-
  - (i) promotion of competition, efficiency and economy in activities of the electricity industry;
  - (ii) promotion of investment in electricity industry;
  - (iii) reorganization and restructuring of electricity industry in the State; matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by the State Government.

#### **4 MISSION OF THE COMMISSION**

The mission of the Commission is :

- (a) to promote competition, efficiency and economy in the activities of the Electricity Industry within the State of Kerala.
- (b) to regulate the power purchase and procurement process of the distribution licensees for sale, distribution and supply of electricity within the State of Kerala.
- (c) to determine the tariff for generation, transmission, wheeling and supply of electricity, wholesale, bulk or retail, as the case may be, within the State of Kerala.

## **5 CHAIRMAN AND MEMBERS OF THE COMMISSION**

The Commission is headed by Shri.M.K.G.Pillai as Chairman and Shri.C.Balakrishnan as Member. Both Shri.M.K.G.Pillai and Shri.C.Balakrishnan assumed office on 29<sup>th</sup> November, 2002 and are continuing in office. Although the Kerala State Electricity Regulatory Commission has been constituted with Chairman and two Members, the post of one Member in the Commission is lying vacant since its inception.

## **6 COMMISSION'S OFFICE**

The Commission has been functioning in a rented building at No.30, Parameswara Bhavan, Belhaven Gardens, Kowdiar.P.O. Thiruvananthapuram-695 003, since 15<sup>th</sup> February, 2003.

## **7 HUMAN RESOURCES**

### **7.1 Existing Manpower**

The staff position of the Commission as on 31.03.2005 is as below:

Sl.No	Name	Designation	
1	Smt.S.Ajitha	Secretary	On deputation
2	Shri Jayasankar B Nair	Sr.Economic Analyst	On contract
3	Shri.A.M.Narayanan	Deputy Director	On contract
2	Shri.Rajendra Babu.P.B	Accounts Officer	On contract

3	Shri.Rajan.K	UDC	On deputation
4	Smt.Jyothi Kumari.R.S.	Confidential Assistant	On deputation
5	Smt.Sheena Karim	Confidential Assistant	On deputation
6	Smt.Lathy.N.K.	Confidential Assistant	On deputation
7	Shri.Soninath.M	Peon	On contract
8	Shri.Priyesh.P.V.	Peon	On contract
9	Smt.Sreedevi.P.G	Accountant	On contract
10	Smt.Santha.D.R	Sweeper	On contract

Shri.C.K.Jayachandran, former Deputy Chief Engineer, KSEB has been engaged as a Consultant on contract basis from the middle of February, 2004 to assist the Commission in tariff matters and is still continuing.

## **8 STATE ADVISORY COMMITTEE**

The State Advisory Committee constituted by the Commission on 26<sup>th</sup> August, 2003 continued to function during the year. The major role of the Advisory Committee as assigned to it under Section 88 of the Electricity Act, 2003 is to advise the Commission on major questions of policy; matters relating to quality, continuity and extent of service provided by the licensees; compliance by the licensees with the conditions and requirements of their licence; protection of consumer interest; and electricity supply and overall standards of performance by utilities.

### **8.1 Members of the State Advisory Committee**

The State Advisory Committee consists of the following members as on 31.3.2005:

- |   |  |          |
|---|--|----------|
| 1 | Shri.M.K.G.Pillai, Chairman, Kerala State Electricity Regulatory Commission  | Chairman |
| 2 | Shri.C. BalaKrishnan, Member, Kerala State Electricity Regulatory Commission | Member   |

3	Dr.Dharamveer, Secretary, Food, Civil Supplies and Consumer Affairs Department, Government of Kerala	Member
4	Shri.S.Girijathmajan, Additional Secretary, Power Department, Government of Kerala	Member
5	Shri.C.Abdulla, Member (Distribution), KSEB	Member
6	Shri.S.S.Mediratta,General Manager, NTPC, Kayamkulam-690 506	Member
7	Managing Director, Bombay Suburban Engineering Services Kerala Power Limited, Udyogamandal P O, Kochi - 683 501	Member
8	Shri.S.Jayathilakan, President, Kerala High Tension And Extra High Tension Industrial Electricity Consumers Association, HMT Road, Kalamassery 683 104	Member
9	Shri.R.Mohan Doss, Chief Electrical Engineer, Southern Railway	Member
10	Shri.K.O.Habeeb, General Secretary, Kerala State Electricity Board Worker's Association, BTR Memorial, Mele Thampanoor, TVM-1	Member
11	Shri.T.R.Raghulal, Chairman, Confederation of Indian Industry, P.B.No.4257, Opposite Cochin Passport-Office, Panampally Nagar 682 036	Member
12	Shri.S.Jayamohan,Chief Electrical Inspector, Electrical Inspectorate, Housing Board Buildings, TVM-695 001	Member
13	Dr.Madhu Mangal,Director, Anert, Kesavadasapuram, Pattom P O, Thiruvananthapuram 695 004	Member
14	Shri.Ratnakumar, Secretary, Energy Conservation Society Akshaya Nagar,64,Kadappakkada, Kollam 691 008	Member
15	Shri.M.G.Rajagopal, Director, Energy Management Centre, Karamana, Thiruvananthapuram-695 002.	Member



16	Dr.D.Sam Chandran, Prof.& Head of Electrical Engineering Department,College of Engineering, Thiruvananthapuram-16	Member
17	Shri.M.P.Aiyappan, Managing Director, Kerala Power Finance Corporation Ltd, Jawahar Nagar P O, Kowdiar, Thiruvananthapuram 695 041.	Member
18	Shri.P.C.Vijayakumar, Managing Director, Kerala Water Authority,Thiruvananthapuram 695 033.	Member
19	Shri.M.K.Abdul Majeed, Vice-President, Centre for Consumer Protection and Research, Lumiere, T C 9/2297, Sasthamangalam.P.O. Thiruvananthapuram 695 010.	Member

## 8.2 Meetings of the State Advisory Committee

Four meetings of the State Advisory Committee *viz.*, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> were held during the year 2004-05.

The 3<sup>rd</sup> meeting was held on 6.5.2004. Out of 19 members, 12 members attended the meeting. The important subjects discussed in the meeting covered:

- (1) Proposal by the Govt. of Kerala for approval of tariff from Private Small Hydel Projects,
- (2) Proposal of the KSEB for revision of tariff for Railway traction,
- (3) Incentive to HT&EHT consumers, and
- (4) Various issues connected with the formulation of Electricity Supply Code in the State.

The Committee made several important recommendations on the issues discussed.

The 4<sup>th</sup> meeting of the State Advisory Committee was held on 13.8.2004. Out of 19 members, 12 members attended the meeting. The meeting continued to discuss the proposal of he Govt. of Kerala for approval of tariff from private Small Hydel Projects, proposal of the KSEB for revision of tariff for Railway Traction, incentive to HT&EHT consumers and issues connected with the

formulation of Electricity Supply Code in the State. The meeting also discussed the draft Regulation for Consumer Grievance Redressal Forum and Electricity Ombudsman-2004, the review petition by the KSEB on the order of the Commission in respect of the ARR&ERC of the KSEB for 2004-05 and the petition filed by the Govt. of Kerala (IT Mission) for rationalisation of tariff for the Akshaya Project. The Committee took many important decisions on the above issues.

The 5<sup>th</sup> meeting of the State Advisory Committee was held on 3.11.2004. Out of 19 members, 12 members attended the meeting. The committee continued to discuss matters such as incentive to HT&EHT consumers and ToD pricing, draft Regulations for Consumer Grievance Redressal Forum & Electricity Ombudsman-2004 and draft Electricity Supply Code. The Committee also discussed the draft Regulations on terms and conditions of distribution tariff. The meeting took several important decisions on the topics discussed.

The 6<sup>th</sup> meeting of the State Advisory Committee was held on 9.2.2005. Out of 19 members, 11 members attended the meeting. The committee continued to discuss the Electricity Supply Code. The main discussion centered around the ARR&ERC of KSEB for the FY 2005-06 on which the Committee made many important suggestions.

## **9 MEETINGS HELD BY THE COMMISSION**

Up to 31<sup>st</sup> March, 2005, the Commission held forty six internal meetings, and nine proceedings to hear the parties to the petitions filed with the Commission.

### **9.1 Internal meetings of the Commission**

Internal meetings of the Commission were held mainly to transact

administrative matters, framing and finalisation of regulations, admission of petitions, matters relating to the State Advisory Committee, ARR&ERC of the licensees and other matters related to the smooth functioning of the Commission. Almost all matters were decided by the unanimous decision of the Commission.

## 9.2 Proceedings held by the Commission

In order to hear the parties to the petitions filed with the Commission, the Commission held nine proceedings as listed below:-

Sl.No.	Date	Venue	Subject Matter
1	5.10.2004	Office of the Commission	Petition filed by KINFRA for approval of ARR&ERC for 2004-05.
2	6.10.2004	Govt. Guest House, Thiruvananthapuram	Public hearing on draft Regulations on Consumer Grievance Redressal Forum and Electricity Ombudsman-2004
3	14.10.2004	Office of the Commission	Petition filed by KSEB for upward revision of tariff based on the change in consumption pattern by M/s.Tata Tea Ltd.
4	27.11.2004	Govt. Guest House, Thiruvananthapuram	Petition filed by TNEB regarding exemption from payment of short term open access charges in respect of transfer of its entitlement from Kayamkulam CCGT
5	15.12.2004	Office of the Commission	Petition filed by KSEB for non-payment of electricity charges by Trissur Municipal Corporation.
6	23.12.2004	Govt. Guest House, Ernakulam	Public Hearing on Draft Regulations on Supply Code and Terms and Conditions of Tariff.
7	30.12.2004	Office of the Commission	Petition filed by Cochin Port Trust for approval of ARR&ERC for the year 2004-05.
8	30.12.2004	Office of the Commission	Petition filed by Technopark for approval of ARR&ERC for the year 2004-05.
9	4.3.2005	Govt. Guest House, Thiruvananthapuram	Public hearing on petition filed by KSEB for approval of ARR & ERC for the year 2005-06.
10	25.4.2005	Office of the Commission	Petition filed by Technopark for approval of ARR&ERC for the year 2005-06.

11	26.4.2005	Office of the Commission	Petition filed by Tata Tea for approval of ARR&ERC for the year 2005-06.
----	-----------	--------------------------	--

## 10 PETITIONS RECEIVED BY THE COMMISSION

During the year, the Commission received 15 Petitions from different Organisations including the petition related to the ARR&ERC of the KSEB for the year 2005-06. The Commission disposed of 14 petitions including three petitions received during the previous year. Details are furnished below:

Sl. No.	Date of Petition	Petitioner	Respondent	Subject matter	Disposal by the Commission
1	DP-4/ 21.6.2003	Binani Zinc	KSEB	Dispute on tariff	Order issued on 30.4.2004
2	DP-7/ 27.6.2003	TCM Ltd, Kalamassery	KSEB	Dispute on tariff	
3	DP-8/ 28.6.2003	Kerala HT&EHT Industrial Electricity Consumers' Association	KSEB	Dispute on tariff	
4	DP-12/ 1.8.2003	Binani Zinc	KSEB	Request for open access	Order issued on 4.5.2005
5	Letter dated 21.5.2004	Kerala HT&EHT Industrial Electricity Consumers' Association	KSEB	Incentives to HT&EHT consumers on p.f improvement and ToD pricing	Order issued on 14.1.2005
6	DP-14/ 22.5.2004	KSEB	Tata Tea Ltd	Request for upward revision of tariff based on the change in consumption pattern by M/s.Tata Tea Ltd	Order issued on 14.10.2004
7	Letters dtd. 7.4.2004 & 31.5.2004	National Textile Corporation Ltd, Bangalore	KSEB	Request to waive interest on electricity dues	Order issued on 9.7.2004
8	TP-3/ 10.6.2004	KINFRA	-	ARR&ERC for 2004-05	Order issued on 10.11.2004
9	TP-5 15.6.2004	Cochin Port Trust	-	ARR&ERC for 2004-05	Order issued on 7.2.2005

10	TP-4 29.6.2004	Technopark	-	ARR&ERC for 2004-05	Order issued on 27.1.2005
11	DP-15/ 30.6.04	KSEB	1. Trissur Municipal Corporation 2. Principal Secy, Local Admn Dept, Govt. of Kerala	Non payment of electricity charges by Trissur Municipal Corporation	Order issued on 29.4.2005
12	DP-17/ 29.7.2004	Kerala State Information Technology Mission.GoK	KSEB	Request to consider Akshaya Centres under the category LT VI (B)	Order issued on 1.9.2004
13	DP-19/ 12.8.2004	Tata Tea Ltd	Govt. of Kerala represented by the Secretary to Govt, Power Dept & KSEB	Request to treat Tata Tea as Franchisee of KSEB.	Order issued on 8.12.2004
14	DP-18/ 17.9.2004	TNEB	KSEB, Southern Regional Load Despatch Centre, NTPC & Power Grid Corporation of India	Request for exemption from payment of short term open access charges.	Order issued on 27.11.2004
15	TP-6 15.11.2004	KSEB	-	ARR&ERC for 2005-06	Order issued on 23.3.2005
16	TP-7 14.2.2005	Tata Tea Limited	-	ARR&ERC for 2005-06	Order issued on 28.6.2005
17	TP-8 15.2.2005	Technopark	-	ARR&ERC for 2005-06	Order issued on 28.6.2005
18	TP-9 15.3.2005	Rubber Park	-	ARR&ERC for 2005-06	Order issued on 8.7.2005
19	TP-10 15.3.2005	Cochin Port Trust	-	ARR&ERC for 2005-06	Order issued on 28.6.2005

## 10 ORDERS ISSUED BY THE COMMISSION

Brief details of the orders issued by the Commission are furnished below:

**11.1 Order dated April 30, 2004 on petitions dated 21.6.2003, 27.6.2003 & 1.8.2003 filed by M/s.Binani Zinc, M/s.TCM Ltd, Kalamassery & Kerala High Tension &Extra High Tension Industrial Electricity consumers' Association with the KSEB as the Respondent.**

The petitioners questioned the tariff revision order issued by the KSEB *vide* Notification B.O.(FM)No.1462/02/TRAC/TO-1/2002 dated 24<sup>th</sup> October, 2002. The petitioners argued that the tariff increase enforced by the KSEB was unjustified and therefore requested the Commission to re-determine the tariff applicable to HT/EHT consumers as per the Electricity Regulatory Commissions' Act, 1998 (Central Act No.14 of 1998).

The Commission after hearing the parties to the petition held that the KSEB was entitled to collect the charges as per the tariff revision notified by it and ruled that the order of the Board would remain in force until further orders of the Commission in this regard. As the Commission did not find any valid ground for redetermining the tariff for HT&EHT consumers, on the request of the petitioners, the petitions were rejected.

**11.2 Order dated July 9, 2004 on petition dated 30.5.2004 filed by M/s.National Textile Corporation Ltd. with the KSEB as the Respondent.**

The petitioner *viz.*, M/s. National Textile Corporation Ltd. had filed the appeal to waive of interest amounting to Rs.28 lakhs as agreed to by the Govt. of Kerala in connection with rehabilitation programme in respect of Parvathi Mills (Rs.23 lakhs) and Alagappa Mills (Rs. 5 lakhs) totaling Rs.28 lakhs. Considering the special circumstances of the case, the Commission approved the waiver of interest on electricity charges amounting to Rs.28 lakhs to the NTC as already agreed to by the Government of Kerala subject to the condition that the NTC would ensure payment of electricity dues to the KSEB within the time frame as acceptable to the KSEB.

**11.3 Order dated September 1, 2004 on the petition filed on 29.7.2004 by Kerala State Information Technology Mission, with the KSEB as the Respondent.**

The Kerala State Information Technology Mission under the Department of Information Technology, Government of Kerala, had filed a petition for revision of tariff for supply of power to Akshaya Project of the Govt. of Kerala. The petitioner argued that Akshaya Centres should be charged tariff for electricity under category LT-IV instead of LT-VII (A)/VII (B). The Commission after detailed deliberations ordered that the Akshaya Centres shall be charged under LT-VI (B).

**11.4 Order dated October 14, 2004 on the petition filed on 22.5.2004 by KSEB with the Tata Tea Ltd as the Respondent.**

The KSEB on 22.5.2004 filed a petition with M/s.Tata Tea Ltd, Munnar as the respondent for an upward revision in the tariff based on the change in consumption pattern by M/s.Tata Tea Ltd, for their own use and supply to other consumers in the Munnar area. The Commission felt that the matter should be dealt with as per provisions of either Subsection (1)(a) of Section 62 of the Act or Subsection (1) (b) of Section 86 of the Electricity Act, 2003. In the absence of data required for dealing the matter under Subsection (1)(a) of Section 62, the Commission suggested that both the parties should endeavour to come to a consensus in the matter based on mutual discussions so as to bring it under the provisions of Subsection (1) (b) of Section 86.

**11.5 Order dated November 27, 2004 on the petition filed on 17.9.2004 by Tamil Nadu Electricity Board with the KSEB, SRLDC, NTPC and PGCIL as Respondents.**

The Commission after detailed deliberations ordered that the KSEB was entitled to levy short term Open Access Charges on TNEB not exceeding 25% of the annual charges of Power Grid transmission system associated with the

Kayamkulam Power Station for the year 2003-04 apportioned on the basis of capacity utilization of the power station and the number of days of usage. The Commission also directed that the KSEB could decide the exact charges subject to the ceiling prescribed above.

**11.6 Order dated November 29, 2004 on the petition filed on 10.6.2004 by KINFRA on their ARR&ERC for the year 2004-05**

The petitioner filed the ARR&ERC for the year 2004-05 *vide* their letter No. KEPIP/ERC/2004 dated 10.6.2004. After detailed scrutiny, the Commission approved an Aggregate Revenue Requirement of Rs.933.62 lakhs and total Expected Revenue from Charges of Rs.934.95 lakhs leaving a revenue surplus of Rs.1.33 lakhs as projected in the revised ARR & ERC of KINFRA. The Commission directed KINFRA Export Promotion Industrial Parks Limited to absorb the marginal revenue surplus of Rs.1.33 lakhs in their overall business operations. The Commission approved the continuance of the existing tariffs and other charges by KINFRA Export Promotion Industrial Parks Limited till further orders.

**11.7 Order dated December 8, 2004 on the petition filed on 12.8.2004 by Tata Tea Ltd., Munnar with KSEB as respondent**

Tata Tea Ltd., Munnar stated that they were authorized by the KSEB to distribute electricity within the sanctioned area and they might be treated as franchisee of the KSEB and treated them accordingly as per Section 13 of the Electricity Act, 2003. Since the KSEB declined to engage Tata Tea Ltd., Munnar as franchisee to distribute electricity in the Munnar area on its behalf, the Commission rejected the request.



### **11.8 Order dated January 14, 2005 on the matter of incentives to HT/EHT consumers on Power Factor improvement and TOD pricing**

The HT/EHT Consumers' Association has been requesting for implementation of the incentive scheme based on power factor and time of the day consumption. After detailed deliberation on the subject, the Commission, in exercise of the powers under Section 61(c), 61 (d) and Subsection (3) of Section 62 of the Electricity Act, 2003 issued the following Order for compliance by the licensees.

- Power factor incentive for HT&EHT consumers to be 0.15% of the ruling energy charges for every 1% increase in PF above 0.9 upto 1.00, where as the penalty would be 1% energy charges for every drop in PF below 0.9.
- The maximum permissible demand for HT&EHT Industrial Consumers during off-peak hours shall be allowed up to 120% of the contract demand in place of the prevailing limit of 105% of contract demand and incentives for demand charges shall be worked out on that basis.
- For working out the incentives for energy charge, the off-peak consumption in excess of 27.5% of the total consumption shall be taken, instead of the present level of 30%.
- The rate of incentive for energy charges shall be 35% instead of the present level of 25%.
- The recorded Maximum Demand during off peak hours in excess of

120% of the Contract Demand will be changed at the ruling demand charge/kVA.

- The licensees shall work out the savings as well as revenue shortfall prior to the implementation and after the implementation of the above incentive schemes and submit a report thereof to the Commission on quarterly basis.

**11.9 Order dated January 27, 2005 on the petition filed on June 29, 2004 by Techno Park on their ARR&ERC for the year 2004-05**

Techno Park had filed the ARR & ERC for the year 2004-05 *vide* letter No.ETPK/EC/24.01 dated 29.6.2004. After detailed deliberations the Commission approved the ARR of Rs.5,79,30,493/- and expected revenue from charges of Rs.5,80,82,000 with a revenue surplus of Rs.1,51,507. The Commission directed Techno Park to investigate the reasons for high distribution loss and take suitable measures to reduce harmonics and consequent losses. The Commission also ordered for the continuance of the existing tariffs and other charges by Technopark till further orders.

**11.10 Order dated February 7, 2005 on the petition filed on June 15, 2004 by Cochin Port Trust on their ARR&ERC for the year 2004-05**

Cochin Port Trust had filed ARR& ERC for the year 2004-05 *vide* letter No.D2/State Ele.Reg1.Commission/2004 dated 15.06.2004. The Commission approved an ARR of Rs.1349.10 lakhs and total expected revenue from charges of Rs.1400.45 lakhs leaving a revenue surplus of Rs.51.35 lakhs. The Commission directed the cochin Port Trust to continue the existing tariff and other charges till further orders.

**11.11 Order dated March 23, 2005 on petition dated 15.11.2004 filed by KSEB**

## **on ARR&ERC for the year 2005-06**

The Kerala State Electricity Board had filed a petition on 15.11.2004 for approval of the ARR&ERC of the Board for the year 2005-06. The Commission having considered the written objections filed by the Stakeholders, and subsequent written and oral submissions of the KSEB and consulted the State Advisory Committee and heard the views of the Stakeholders in public hearing, approved the ARR&ERC with certain modifications. The Commission approved an Aggregate Revenue Requirement of Rs.3367.32 crores and total Expected Revenue from Charges of Rs.3316.01 as against Rs.3826.97 crores and Rs.3334.72 crores projected respectively by the KSEB leaving a revenue gap of Rs.51.31 crores as against Rs.492.25 crores projected by the Board. The Commission ordered the continuation of the existing tariffs and other charges for FY2005-06. The Commission also directed that if Government wished to provide subsidy to the Board to meet the gap determined by the Commission, they might communicate to the Commission the amount of subsidy and the consumer classes to which the subsidy was to be directed, as per Section 65 of the Act and the subsidy shall be paid to the Board in advance in twelve equal monthly installments. The Commission also included an enabling provision for recovering the extra power purchase cost of KSEB on account of shortfall in hydrogenation, if any, through a surcharge on electricity charges over a period of one year from November to October next year. The Commission has thus made the first step for introducing a multiyear tariff regime.

### **11.12 Order dated April 29, 2005 on petition dated 30.6.2004 filed by KSEB with the Trichur Municipal Corporation & Principal Secretary, Local Administration Department, Govt. of Kerala as the Respondents**

The KSEB in its petition dated 30.6.2004 contented that the Corporation has been remitting only 75% of the electricity bills from 1993 onwards. Earlier,

the Government of Kerala had allowed a rebate of 30% in the electricity charges to the Corporation, while revising the tariff in 1982 and the same was discontinued from 1988 onwards. The total short remittance made by the Corporation upto May 31, 2004 was to the tune of Rs.59.48 crores including interest. The Board also pleaded that the licence of the Corporation might be revoked and licence given to the Board for supplying electricity in the Corporation's area. The Corporation contented that neither the Government nor the Board had any right to discontinue the concessions enjoyed by the Corporation and the Commission had no *locus standi* to decide on the petition. Based on the report from the Electrical Inspector, appointed by the government as an independent entity to examine the matter, the Government of Kerala directed the Corporation to remit the arrears till the date of establishment of the Commission. The Commission after examining the matter in detail came to the conclusion that the Commission enjoyed the authority to decide on the petition and the Corporation was not justified in insisting for concessions on the tariff. The Commission in its order dated 29.4.2005 accordingly ordered the Corporation to pay within 60 days the electricity charges to the KSE Board as per the bills raised on the Corporation by the Board in line with the tariff in force from time to time, from 29.11.2002 onwards. The Commission also ordered that, if required, the Board might approach the Commission for a second licence for distribution of electricity in the corporation's area of supply as per 6<sup>th</sup> proviso to Section 14 of the Electricity Act, 2003.

**11.13 Order dated May 4, 2005 on petition dated 1.8.2003 filed by M/s.Binani Zinc with the KSEB as the Respondent.**

The petitioner *viz.*, M/s.Binani Zinc had filed a petition with the Commission for allowing them to avail power for their factory from Power Trading corporation through transmission system of KSEB, on open access basis, and to decide an appropriate quantum of wheeling charges including the T&D

losses in the KSEB system. The Commission *vide* its order dated 4<sup>th</sup> May, 2005 directed the petitioner to file a fresh application for open access with updated information and data on the subject, with the KSEB after the Regulations on Open Access came into force.

## **12 REGULATIONS ISSUED BY THE COMMISSION**

During the year, the Commission notified the following Regulations.

- 1 Kerala Electricity Supply Code 2005.
- 2 KSERC (Consumer Grievances Redressal Forum and Electricity Ombudsman) Regulations, 2004.

The following Regulations were under pre-publication stage:

- 1 KSERC (Procedure for filing appeal before the Appellate Authority) Regulations, 2005.
- 2 Kerala Electricity Ombudsman (Terms and Conditions of Service) Regulations, 2005.
- 3 KSERC (Accounting) Regulations, 2005.
- 4 Terms and Conditions of Tariff for Retail Sale of Electricity Regulations, 2004.
- 5 Kerala State Electricity Grid Code, 2005.
- 6 Terms and Conditions for Open Access Regulations, 2005.

Implementation of the various provisions of the Kerala Electricity Supply Code, 2005 framed in pursuance of the provisions of the Electricity Act, 2003 is intended to streamline procedures and practices to be followed by the different Distribution licensees operating in the State of Kerala.

## **13 APPLICATION OF INFORMATION TECHNOLOGY**

Computers are extensively used in day-to-day work and in all activities of

the Commission.

Letters, regulations, minutes, orders and other documents are prepared using computers. For facilitating the work, adequate hardware and software have been installed in the office of the Commission and connected over a Local Area Network. The various orders passed by the Commission from time to time, Regulations issued by the Commission, notices and minutes of the meetings, *etc.*, are uploaded on the website of the Commission, [www.erckerala.org](http://www.erckerala.org). In addition, Internet services are made available for the use of Officers and Staff members of the Commission.

#### **14 MEMBERSHIP OF THE FORUM OF INDIAN REGULATORS AND FORUM OF REGULATORS**

The Commission continued to be a member of the Forum of Indian Regulators. The secretariat of the Forum is located at the Central Electricity Regulatory Commission, New Delhi. The Forum is an association of the Chairpersons and members of the Central Electricity Regulatory Commission and the State Regulatory Commissions. The Forum provides a venue for exchange of views and information among Indian Electricity Regulators and preparation of common ground and agenda in respect of various regulatory issues.

The Annual subscription for membership of the Forum was Rs.1.50 lakh, per Commission, for the year 2004-05. The meeting of the Forum is being held once in every quarter. The Chairman and Member of the KSERC have been regularly attending the meetings of the Forum and exchanging views and information, with other regulators.

In accordance with the provisions of Subsection (2) of Section 166 of the Electricity Act, the Central Government have constituted the Forum of Regulators on 16.2.2005 in which Chairman of the Commission is a Member. The

first meeting of the Forum of Regulators was held at New Delhi on 28.4.2005 which discussed among other things the implementation of various provisions of the Electricity Act, 2003 by the Regulatory Commissions.

## 15. FINANCE AND ACCOUNTS

15.1 Audited statement of Income and Expenditure for the period from 29.11.2002 to 31.3.2004 is furnished below:

(In Rupees)

Sl. No.	Particulars	Income	Expenditure
<b>1</b>	<b>By grants/Loans/Subsidies</b>		
	1.1 Govt. of Kerala	51,72,000.00	
<b>2</b>	<b>By Royalty, Publications,etc</b>	4,000.00	
<b>3</b>	<b>To Establishment Expenses</b>		
	3.1 Salaries (Chairman & Member of the Commission)		10,57,332.00
	3.2 Salaries (Officers & Establishment)		6,95,313.00
	3.3 Allowances & Bonus		9,025.00
	3.4 Payment for Professional & Other Services		1,81,300.00
	3.5 Wages		1,61,474.00
<b>4</b>	<b>Other Establishment Charges</b>		21,937.00
<b>5</b>	<b>Travel Expenses</b>		
	5.1 Domestic Travels-Chairman& Members of the Commission		1,74,217.00
	5.2 Domestic Travels-Officers		959.00
	5.3 Domestic Travels - Staff		565.00

<b>6</b>	<b>To Administrative Expenses</b>		
	6.1 Purchases		30,957.00
	6.2 Cartage & Processing expenses		85.00
	6.3 Electricity & Power		26,579.00
	6.4 Water Charges		1,342.00
	6.5 Rent,Rates, and Taxes		2,07,140.00
	6.6 Vehicle Hire Charges		3,39,736.00
	6.7 Postage,Telephone & Communication charges		96,593.00
	6.8 Expenses on Seminar / Workshops		12,921.00
	6.9 Subscription Expenses		1,05,123.00
	6.10 Advertisement and Publicity		18,730.00
	6.11 Bank Charges		120.00
	6.12 Internet Subscription		59,826.00
	6.13 Website Design and Hosting Expenses		15,015.00
<b>7</b>	<b>To Stationary &amp; Printing</b>		
	7.1 Stationary		55,401.00
	7.2 Printing		8,583.00
<b>8</b>	<b>To Publications</b>		-
<b>9</b>	<b>To Miscellaneous and Other Expenses</b>		8,381.00
<b>10</b>	<b>To Repairs and Maintenance</b>		
	10.1 Furniture & Fixture		7,166.00
<b>11</b>	<b>To Hospitality Expenses</b>		5,753.00
<b>12</b>	<b>To Audit Fees</b>		-
<b>13</b>	<b>To Legal Charges</b>		5,000.00
<b>14</b>	Provident Fund & other contributions		
	14.1 Pension Contribution		55,877.00
	14.2 Contribution to CPF		5,753.00
	14.3 Leave Salary Contributions		1,20,399.00
<b>15</b>	<b>Depreciation</b>		2,10,120.00
<b>16</b>	Excess of Income over Expenditure (Transferred to Capital Fund Account)		14,77,278.00
	<b>Total</b>	<b>51,76,000.00</b>	<b>51,76,000.00</b>

**15.2 Provisional Statement of Income and Expenditure, during the financial year 2004-05, is furnished below:**

(In Rupees)

Sl. No.	Particulars	Income	Expenditure
---------	-------------	--------	-------------



1	<b>Opening Balance</b>		
	1.1 Cash in hand	898.00	
	1.2 Cash at SBI	793.00	
	1.3 Cash at Spl.TSB	3,24,179.00	
2	<b>By Grants/Loans/Subsidies</b>		
	Govt. of Kerala	39,00,000.00	
3	<b>By Other Income</b>	1,21,877.00	
4	<b>To Establishment Expenses</b>		
	4.1 Salaries		24,09,778.00
	4.2 Wages		86,574.00
5	<b>To Travel Expenses</b>		1,71,788.00
6	<b>To Office Expenses</b> (water charges, postage, telephone and communication charges, electricity & power, printing & stationary, hospitality charges etc)		3,31,094.00
7	<b>Miscellaneous Expenses</b>		226.00
8	<b>Other charges</b>		6,92,196.00
9	<b>POL</b>		90,333.00
10	<b>Rent, Rates &amp; Taxes</b>		1,80,000.00
11	<b>Repairs &amp; Maintenance</b>		5,026.00
12	<b>Closing Balance</b>		
	12.1 Cash in hand		1,607.00
	12.2 Cash at SBI		793.00
	12.3 Cash at Spl TSB		3,78,332.00
	<b>Total</b>	<b>43,47,747.00</b>	<b>43,47,747.00</b>

## 16 REGULATORY IMPACT ASSESSMENT

**16.1** During the past two years, after coming into existence, the Commission has been endeavouring to enable the KSE Board to move towards a path of financial recovery and efficient performance. In this process, the Commission has been able to resist tariff increase during the FY2003-04 and the FY2004-05. Though the FY2003-04 was marked by poor availability of monsoon, a tariff increase was avoided due to the provision of subsidy by the Govt. of Kerala. As compared to the FY 2003-04, the FY2004-05 has been comfortable in terms of

availability of monsoon. The Commission through the enforcement of an effective regulatory regime and introduction of prudent efficiency norms has been successful in curtaining the increase in the expenditure of the Board, especially on power purchase and interest and finance charges.

The Commission has been concentrating on the following areas in respect of KSEB:

- AT&C Loss reduction
- Optimum scheduling of internal generation – UI transaction
- Optimizing power purchase
- Receivables management
- Debt servicing
- Computerization of billing and collection.

## **16.2 AT&C Loss reduction**

Reduction of losses is of prime consideration for the Commission. Unlike many other States in India, Board has achieved 100% metering in the State. There are also other inherent advantages for Kerala system such as low agricultural consumption, low level of commercial losses, *etc.*

The share of technical losses is predominantly in the LT network, where as the non-technical losses are mainly due to faulty meters. According to the Board, about 1.5 lakh meters were reported faulty during the first 4 months of FY 2003-04. The Commission has been giving thrust on the speedy replacement of faulty meters. The Board has reported that the major contribution in loss reduction is provided by commercial loss reduction, which is mainly achieved through introduction of electronic meters. In addition to this, replacement of electromechanical meters with electronic meters has also helped to reduce the loss levels. The estimated AT&C loss for FY 2001-02 was 30.76% which came down to 27.44% in FY 2003-04. According to the estimates of the Commission, the AT&C loss would come down to the level of 24.61% in FY 2004-05 as against

25.25% estimated by the Board. Since FY 2002-03, the Board has reduced losses to the tune of 6.15%. Thus, there is significant progress in the area of loss reduction. During the year FY 2005-06, while the Commission has accepted the target of 2.72% as envisaged by the Board for loss reduction, this should be from the achievable level of 24.61% during FY 2004-05.

The Commission has also issued directions to the Board to strengthen the operations of Anti-Power Theft Squad. According to the data submitted by the Board, upto the end of November 2004, about 1369 theft cases were detected and billing to the extent of Rs.6.74 Crores were made on this account. Almost half of these cases were reported in the Industrial category.

After analyzing the data furnished by the Board, the Commission came to the conclusion that the major share of loss reduction achieved by the Board is due to reduction in the commercial losses attributable to the replacement of faulty meters and installation of electronic meters. However, the addition of consumers in the LT network to the tune of more than 3 lakhs per annum is likely to increase the technical losses in the network, unless appropriate strengthening of the LT network along with the backup of HT system is taken up. Keeping this in view, the Commission has approved the requisite outlay for capital and R&M works in the ARR. In this connection, the Commission has directed the Board to pay special attention to the system improvement works.

### **16.3 Optimum Scheduling of Internal Generation**

The Commission has impressed upon the Board to streamline the planned shutdown of hydro stations. The Commission has sought information on the maintenance schedules and availability of the stations for effective monitoring of the maintenance schedules of the Board. The Commission has directed the Board

that the available hydro generation in the KSEB system should be utilized optimally and maximum commercial advantage derived thereof. Keeping this in mind, the Commission has insisted upon the Board to make available at least 5 machines always in Idukki station to utilize full potential of UI mechanism. The Commission has suggested that scheduling of hydro generation should be done on annual, quarterly, monthly, fortnightly and daily basis and should be subjected to daily and fortnightly review and revision based on hydro availability at any point of time. The scheduling for power purchase on merit order basis is required to be co-ordinated with the schedules of hydro generation as per system requirements. The Commission has also directed that the scheduling should be formulated and reviewed at various levels in KSEB through appropriate management information system. Through UI mechanism, the Board has imported 771 MU of energy and exported 111 MU of energy during FY 2003-04 while the corresponding figures during 2004-05 are 497MU and 158 MU respectively. The Commission expects the Board to achieve further improvement in its performance in this regard during FY 2005-06.

#### **16.4 Optimising power purchase**

The Commission has been regulating the power purchase of the Board purely on merit order basis. There are two power stations in Kerala, running on naphtha - BSES, Kerala Power Ltd. and Kayamkulam CCGT. Due to higher prices of naphtha, the cost of production of electricity from these plants is very high. Besides, the fixed cost commitments are also considerable. While the intake from these stations including that from KPCL was 2158 MU during FY 2003-04, this has come down to the level of 206 MU during FY 2004-05.

The Board has successfully achieved reduction in the fixed cost burden of the Kayamkulam plant by sharing 50% capacity with the TNEB. The Board has

saved Rs. 129.92 Crores per year due to the sharing of fixed charges. The TNEB has also been allowed to utilize the full output from Kayamkulam on a short term basis. The Commission has suggested to the Board to explore the possibilities of similar opportunities in the case of BSES Kerala Power Ltd. In the context of renewing the power purchase agreement for Kayamkulam CCGT station, the KSEB has been granted a special allocation of 110 MW from the coal based thermal power stations of NTPC in the Eastern Region. The Commission has directed the Board to get the allocation enhanced to 180 MW as in the case of Tamil Nadu Electricity Board and utilize the energy to derive maximum commercial advantage. The Commission has already issued an order to treat the transmission of power from Kayamkulam CCGT on short term open access basis. The Commission expects the Board to hold negotiations for sharing the transmission charges associated with Kayamkulam CCGT with TNEB on equitable basis.

#### **16.5 Receivables management**

The receivable from sale of power by the KSEB stood at high levels, which are mainly contributed by the HT-EHT category and Kerala Water Authority. The collection efficiency of the Board was about 85% in FY 2002-03. The Commission has directed the Board to constitute a Task Force for expediting arrear collection.

The Commission has directed the Board to improve upon the current level of collection efficiency and keep it at a level of about 98-99%. The collection efficiency of the Board is reported to have increased considerably in the recent past. The Board claims to have taken steps to improve the arrear collection by taking many steps such as conducting 'adalaths' and empowering the Deputy Chief Engineers to deal with cases upto Rs. 25,000/- . The Commission expects the Board to reactivate the Task Force and take effective steps for improving the

current level of collection efficiency to the level above 98-99% and making concerted efforts for recovery of past dues.

### **16.6 Debt servicing**

In the first Order on ARR&ERC, the Commission has noticed the heavy borrowing resorted to by KSEB for day-to-day functioning. These also included high cost borrowings. The Commission has impressed upon the Board to limit the borrowing to meet the capital expenditure. The Commission has directed the Board to prepare a White paper on borrowing and debt servicing and submit it to the Commission. The Board has submitted the white paper and the Commission after the scrutiny directed the Board to revise it.

In the past two years, the Board has made swapping of various high cost loans with low cost loans, thereby reducing the interest burden. As per the details provided by the Board, borrowing worth Rs.1469 Crores has been swapped which resulted in a cumulative gain of about Rs.221 Crores towards interest charges. The annual gain worked out to be Rs. 37 Crores. However, the Commission is of the view that there is still scope for further reduction of interest costs and the Commission has called for a detailed action plan from the Board in this regard.

### **16.6 Computerization**

In the previous two Orders on the ARR&ERC, the Commission has been calling for improving the quality of data filed by the Board. The Commission has directed the Board to provide past data on energy sales and revenue. The Board has been consistently maintaining that only after computerization, the details regarding tariff categorywise sales, revenue, age-wise analysis of receivables, *etc.* could be provided. Besides improving data quality, the computerization of billing has the advantage of avoiding revenue loss, improving financial

management and enabling accurate forecasts on the growth in sales. The Commission had thus directed the Board to complete computerization of all the Sections by 31<sup>st</sup> May, 2004. However, the Board has been regularly stating the difficulties in implementation of computerization and giving one reason or other for extending the target. The Board has completed computerization of billing in 172 sections and set a target to complete the remaining Sections by September 2005.

### **16.7 Monitoring capital works programme**

Recently, the Commission has started monitoring the physical and financial progress of capital works programme of the Board. The Commission has designed formats for collecting the details on the progress of works and directed the Board to provide these details on a regular basis. Although the Commission has started receiving the details, in many cases they are not strictly in accordance with the prescribed formats. As the progress, both financial and physical, of the works has a bearing on subsequent programmes of capital works and the corresponding investment plans, the Commission has decided to monitor the works closely on a continuous and regular basis.

## **17 ENGAGEMENT OF INTERNAL AUDITORS**

M/s. Bruno Pereira and Associates have been engaged as Chartered Accountants for auditing the accounts of the Commission since inception to 31.3.2004.

## **18 OTHER ACTIVITIES**

The Commission conducted a one-day workshop at Kochi on 22.12.2004 for the benefit of stakeholders for understanding and analyzing the petitions being filed by the licensees for approval of the ARR&ERC by the Commission. State Advisory Committee Members and licensees attended. The Commission

also conducted a one-day workshop at Technopark, Thiruvananthapuram on 18.1.2005 for the benefit of the licensees other than the KSEB, for familiarizing them in the preparation of ARR&ERC for submission to the Commission on annual basis.

## **19. CONCLUSION**

With the co-operation of the Govt. of Kerala and the licensees operating within the State, particularly the KSEB, it has been possible for the Commission to accomplish the tasks set for the year 2004-05. During the initial two years of its existence, the Commission was able to establish a sound electricity regulatory regime in the State. The biggest achievement was that the Commission could avoid an upward revision of electricity tariff in the State during 2003-04 & 2004-05 and for 2005-06.