

**KERALA STATE ELECTRICITY REGULATORY COMMISSION**  
**THIRUVANANTHAPURAM**

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

**OA 25/2019**

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

**Applicant (s):** The Chief Executive Officer  
Technopark  
Technopark Campus  
Thiruvananthapuram

**Applicant (s) represented by** : Sri.Sasi P.M, Chief Executive Officer  
Smt. Jayanthi. L, Chief Finance Officer  
Sri. Madhavan Praveen, Dy.General Manager  
Sri. Anfal, Dy.Manager Electrical  
Sri. Viswanathan,Assistant Manager Finance  
Sri. Bipin Sankar, Consultant, Technopark

**Daily Order dated 13-12-2019**

The hearing was conducted on 21-11-2019 at the Malabar Hall, Park Centre, Technopark Campus, Thiruvananthapuram. Heard the applicant M/s Technopark represented by Sri.Sasi P.M, Chief Executive Officer, Smt. Jayanthi. L, Chief Finance Officer, Sri.Madhavan Praveen, Dy.General Manager and other officers of the licensee. Sri. Anfal, Dy.Manager, Electrical and Sri. Viswanathan, Assistant Manager Finance presented the details of the petition for the approval of ARR& ERC for the control period 2018-19 to 2021-22 and gave clarifications on the queries of the Commission. The main points submitted in the petition are mentioned below.

- The licensee has proposed revenue gaps for the first three years of the control period. For the year 2021-22, the licensee has proposed revenue surplus. The projections made by the licensee for each year of the control period are based on the pre-revised tariff.
- The number of consumers is projected to increase during all the years of the control period ie. from 863 in 2018-19 to 1022 in 2021-22. For the year 2018-19, the proposed sale is 86.54 MU. The sales projected for the subsequent years of the control period are 89.24 MU for 2019-20, 90.91 MU for 2020-21 & 96.67 MU for the year 2021-22. The major sale of the licensee is to the HT category.

- The licensee has estimated a distribution loss of 1.89% for 2018-19 which will increase to 2.57% in 2019-20. For the subsequent years, the distribution loss is proposed to be reduced to 2.38% in 2020-21 and further to 2.14% in 2021-22.
- For the year 2018-19, the proposed energy requirement is 88.21 MU. The energy requirement projected for the subsequent years of the control period is 91.59 MU for 2019-20, 93.14 MU for 2020-21 & 98.79 MU for the year 2021-22.
- The power purchase cost for each year of the control period is estimated at the pre-revised tariff. Technopark agreed to submit the same as per the revised tariff. The licensee has also included the cost to meet the renewable purchase obligation for the control period. The licensee has stated that the cost is estimated at the floor price of Rs.1000/REC fixed by IEX.
- Technopark has proposed the O&M expenses higher than the normative amount fixed by the Commission.
- The employee cost for the control period is based on the cost apportioned for the employees engaged on contract basis against sanctioned posts. The licensee also mentioned that no outsourced labour costs are included as part of the employee cost.
- The A& G Expenses proposed, includes telephone, postage, audit charge, conveyance, electricity charges, licensee fee etc. The licensee has also included electricity duty payable to the Government under Section 3(1) as part of A&G expenses. For the year 2018-19, the licensee has booked towards the Security arrangements whereas the same is not proposed for the subsequent years of the control period.
- Repair and maintenance cost proposed for the control period is significantly high compared to normative amount. The licensee has stated that R&M of electrical installations in the Technopark campuses is the major component of the repair and maintenance expenses which includes the cost of manpower deployed for the operation, repair and maintenance which is outsourced through experienced agencies in the sector.
- The licensee sought capital investment proposal which includes 200kWp Grid Connected Solar Power Plant, 110kV Air Insulated Substation for Technocity, 50kWp Roof Top Grid Connected Solar Power Plant, HT panels at 110kV Substation, SITC of DG sets, Augmentation of existing power transmission system of KSEBL, CCMS street lighting for Technopark Phase-III campus, SITC of LED street lighting system at Technocity etc.
- The licensee has estimated depreciation in the straight line method as per the Tariff Regulations, 2018. The licensee has projected depreciation for

each year of the control period including the capital expenditure for each year of the control period.

- The licensee has booked interest on actual loans for the control period. It was stated that the loan component for electricity distribution portion is apportioned from the total loan taken for infrastructure development. The licensee has also proposed for interest on security deposits. The interest on working capital which was proposed in the petition was not claimed during the hearing. The licensee clarified that the same has been revised and no interest on working capital is proposed for the control period.
- RoE is proposed at the rate of three percent on the net fixed assets at the beginning of the financial year.
- Technopark has also estimated the revenue from sale of power for the years of the control period at the pre-revised tariff. Technopark stated that the same as per the revised tariff shall be submitted.
- The non-tariff income comes mainly from the interest on the security deposits with KSEBL and Revenue from late payment surcharge. The licensee has stated that a 5% increment is proposed for the Interest on security deposits with KSEBL and Miscellaneous receipts.

Sri Suresh.A, EE, TRAC and Sri.Manoj.G, AEE, represented KSEB Ltd. Sri.Manoj.G presented the counter statement/comments of KSEB Ltd. and submitted the written remarks. The major points presented by KSEB Ltd are abstracted below.

- a. Though the licensee is having multiple area of supply, the licensee has submitted only a combined ARR & ERC petition.
- b. The employee cost claimed is less than norms for FY 2018-19 and as per norms for the rest of the control period.
- c. The R&M claimed for first year of control period (2018-19) is higher than the norms approved. The Commission may direct the licensee to limit the R&M as per norms approved by the Commission.
- d. The A&G expenses claimed for each year of the control period is more than the norms approved by the Commission. The major expense claimed under A&G expenses is the expense for security arrangements and electricity duty under section 3(1). KSEB Ltd submitted that the Commission may take a uniform approach regarding Section 3(1) duty.
- e. KSEB Ltd pointed out that all claims on account of controllable factors, may be limited to the normative expenses and the actual expenditure can be claimed in the true up petition only in case of uncontrollable factors.
- f. With regard to the proposed capital investments, the investments are made for providing better quality service to the consumers of the licensee which when included in the ARR will indirectly affect the consumers of the respondent

KSEB Ltd through downward BST revision and upward RST revision. KSEB Ltd submitted that the Commission may fix a ceiling of such infrastructural development investments made by the licensee.

- g. With regard to the proposed interest and finance charges, most of the capital investments are funded through grant from State Government. Hence the claim for interest and finance charges may be declined.
- h. Depreciation for assets may be allowed only after due consideration of the vintage of the assets as most of the assets were created during 1998.
- i. It was also submitted that only reasonable RoE as per KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 may be allowed based on the approval of the capital investments

The Chairman during the hearing stated that the licensee is to take all earnest efforts to make sure that the petitions filed before the Commission shall have a true and fair reflection of the transactions of the licensee. The licensee shall also submit all the required details along with documents to substantiate the claim/projections made by licensee. The licensee during the hearing mentioned that they have revised certain projections. The Commission directed the licensee to submit the revised projections along with details for revision at the earliest. The Commission also sought clarifications on the petition and directed the licensee to submit the following:

- Since the licensee has made revisions on the projections, the revisions along with details to substantiate the reason for such change.
- Revised projections of the ARR&ERC based on the tariff order dated 08-07-2019 in OA No. 15/2018
- The detailed capital investment proposal from the years 2012-13 to obtain formal approval from the Commission.

The Commission directed the licensee to submit the details, if any that need to be submitted before the Commission to substantiate the claims made in the application and the reply on the counter statement submitted by KSEB Ltd within two weeks.

Hearing concluded. Reserved for orders.

Sd/-  
**S. Venugopal**  
Member

Sd/-  
**Preman Dinaraj**  
Chairman

Approved for issue  
Sd/-  
**G.Jyothichudan**  
Secretary