

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

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

Petition No. OP 3/2018

In the matter of : Application for approval of Capital Investment / Expenditure for the year 2017-18

Petitioner : KINESCO Power Utilities Pvt. Ltd

Petitioner represented by : Shri. G Radhakrishna Pillai, Senior Consultant (Tech), KPUPL
Shri. Sajeev M S, Resident Engineer, KPUPL

K S E B Ltd. represented by : Smt. Meharunnisa M, EE, KSEB Ltd.
Shri. Manoj G, AEE, KSEB Ltd.

Daily Order dated 21.2.2018

1. KINESCO Power Utilities Pvt Ltd (hereinafter referred to as KPUPL) on 25.10.2017 had filed an application before the Commission for approval of the Capital Investment / expenditure of KPUPL for the year 2017-18, in its distribution license area at Kakkanad, Kalamassery and Palakkad. The summary of the capital investment proposed is given below.

Sl No	Particulars	Amount (Rs.Cr)
1	Kakkanad area	2.16
2	Kalamassery	0.41
3	Palakkad	1.48
	Total	4.05

2. The Regulation 72 of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014 (herein after referred as the Tariff Regulations, 2014), specify the procedures to be followed by the distribution licensees for filing application for approval of capital investment before the Commission. But, M/s KPUPL had not filed the application, as per the provisions in the Tariff Regulations, 2014, and hence Commission vide its letter dated 8.12.2017 has directed the petitioner to file the in accordance with the Tariff Regulations, 2014. The petitioner, on 29.12.2017 filed additional details

before the Commission. The Commission admitted the petition as OA 3/2018 and scheduled the hearing on 07.02.2018.

3. During the hearing held on 07.02.2018, Sri. Sajeev M S, Resident Engineer presented the petition on behalf of KPUPL. The representatives of M/s KPUPL submitted that, some of the essential capital investments such as replacement of the faulty CTs of the transformer, metering equipments and procurement of ABT meters are already completed.

The Commission noted with caution the capital investment incurred by the KPUPL without the prior approval of the Commission. As per the Regulation-72 of Tariff Regulations, 2014, it is mandatory that, the distribution licensees shall get the prior approval of the Commission before making any capital investment by the licensee. The Commission has also clarified that, it may not be allow the depreciation, RoE and interest on debt etc on the asset created without the approval of the Commission.

The Commission has also noted that, the licensee has not specified the source of fund for making the capital investment, i.e, whether the fund is from 'own fund', or by 'Government grant' or by 'debt' from financial institutions. The Commission has clarified that, no depreciation will be allowed on the assets created out of Government grants. The Commission has also noted that, the capital cost and the tariff for the electricity generated from the proposed 140 kW solar plant is much higher than the similar solar installation by the 'Solar Energy Corporation of India (SECI)'. Hence the Commission directed the petitioner to explore the possibilities for installing the solar plant through SECI.

4. The representative of the KSEB Ltd submitted that, cost of infrastructure created for providing higher quality of services to the consumers within the area of the KPUPL may be recovered from the beneficiary consumers or using the financial assistance of the Government. The investment incurred to provide quality supply to the consumers may be recovered as per the Regulation 32 and 36 of the Kerala Electricity Supply Code, 2014.
5. During the deliberations of the subject matter, the Commission observed the following.
 - (i) As per the Regulation 72 of the Tariff Regulations, 2014, prior approval of the Commission is required for making capital investments by the licensees.
 - (ii) The Commission vide the order dated 12.07.2017 in application No. OA 7/2017 has directed the petitioner to file proper application for the

approval of the capital investment as per the sub-regulation (1) of the Regulation 72 of the Tariff Regulations, 2012. However, M/s KPUPL has not complied with the direction of the Commission.

- (iii) It is noted that, the petitioner had already made certain capital investments without the approval of the Commission. M/s KPUPL has to explain the circumstances under which such an expenditure was incurred.
 - (iv) It is not clear whether the proposed investment is for creating the basic distribution infrastructure of the licensee or for providing electricity to the individual consumers. This will have to be explained and justified
6. Based on the deliberations during the hearing, the Commission direct the petitioner M/s KPUPL to submit proper application for capital investments, strictly as per the Regulation 72 of the Tariff Regulations, 2014, latest by 02.03.2018, along with complete justification for all deviations from Regulations in vogue with supporting documents.

Sd/-
K. Vikraman Nair
Member

Sd/-
S. Venugopal
Member

Sd/-
Preman Dinaraj
Chairman

Approved for issue

K B Santhosh Kumar
Secretary