

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present: Shri. R. Preman Dinaraj, Chairman
Adv. A. J. Wilson, Member (Law)

OP.No.13/2020

In the matter of : Truing up of Accounts for the financial year 2018-19 and mid- term performance review.

.Petitioner : M/s. Kerala State Electricity Board Ltd. (KSEB Ltd)
(Represented by 1. Sri. Namboothiri Asst. Exe. Engineer and
2. Sri. Gireesh, Finance Officer

Respondents : As per list Attached

Date of Hearing : 29-07-2021

Daily Order dated 09.08.2021

1. The Petitioner M/s KSEB Ltd has filed the instant petition as per the provisions of KSERC (Terms and conditions for determination of Tariff) Regulations, 2018, for the truing up of accounts for the year 2018-19 with a revenue gap of Rs.759.88 crore, Mid-term performance review for the period ending 2019-20 and for the revision of estimates for the remaining years of the control period with the following prayers.
 - a. Truing up of Expenses and Revenue as per the Audited Accounts of KSEB Ltd for the year 2018-19 and explained in the petition may be approved.
 - b. Revised projection of Expenses and Revenue of KSEB Ltd for the remaining years of the control period from 2019-20 to 2021-22 along with the revised Capital investment programme as explained may be approved.
 - c. The revenue gap as per the petition may be accounted as regulatory asset or any other appropriate means deemed fit by the Commission according to the provisions of law.
2. Considering the prevailing Covid-19 situation, the matter was heard through video conference mode on 29.07.2021 at 11.00 AM.
3. The petitioner, KSEB Ltd represented by Shri. K.G.P. Namboothiri, Exe. Engineer presented the petition and explained the claims for the year 2018-19 as well as the deviations from the approvals in the MYT Order. KSEB Ltd also stated that the clarification sought by the Commission has not been furnished and will be furnished shortly.

4. After the presentation of truing of accounts for the year 2018-19 by the petitioner, the Commission made a remark that the last year trued up figures shall also be included in the presentations for comparative purpose and better understanding. The Commission also observed that, the actual auxiliary consumption in the case of Hydro generating station is much less than half of the approved auxiliary consumption and raised a doubt over the reliability of the auxiliary consumption figures submitted by the petitioner.
5. The petitioner in reply to the observation stated that, the auxiliary consumption shown in the petition is related to the equipments at the generating point only and does not include the auxiliary consumption of the step up transformers and other associated equipments and lines in the switch yard. As per the petitioner, there is no metering system at the point of evacuation and hence the auxiliary consumption shown in the petition is limited to the consumption by the equipments at the generating point only and the consumption by the remaining equipments till the point of evacuation at present is reflected as distribution loss. The Commission pointed out that even with substantial yearly capital investment, a proper metering is lacking at the generating stations, which is not desirable.
6. The Commission further pointed out that the average interest rate of loans under SBU-D is higher compared to other SBUs. Regarding the grant received from the Government for flood restoration works, the Commission sought the petitioner to furnish proper records for the utilisation of the grant. The Commission raised concern over the proper accounting of the amount spent from the grant, as the expenses spent towards flood restoration work is shown as Rs. 10.38 crore against the total receipt of grant of Rs.85.03 crore. The petitioner has to furnish the details of actual maintenance works and capital works undertaken as part of flood restoration work and the appropriation from the grant account. The Commission also asked the petitioner to furnish the details of settlement of the arrears of Kerala Water Authority and adjustment/payment details of provision for the pay revision claimed in the petition and its appropriation.
7. The Petitioner, in reply to the Commission's query regarding the approval for power purchase, submitted that all power purchases are having the approval of the Commission except the power procured on DBFOO contracts and this issue is now pending before the Hon. Supreme Court
8. The Petitioner also made a presentation on the Mid-term performance for the period up to 30th Sep 2019 and on the revised estimates for the remaining years in the Control period. The petitioner explained the major projects to be executed during this period. In reply to a query by the Commission regarding the amount spent towards Dhyuthi Project, the petitioner replied that an

approximately Rs. 300 crore including spill over works has been spent in 2018-19.

9. Shri. Dijo Kappen, raised concern over the delay in filing the truing up petitions by the licensee. He further submitted that increase in the recent pay revision implemented by KSEB Ltd is huge and stated that the employee cost in Kerala is very high when compared to other parts of the Country. He cited the report of the Planning Commission to support the contention that employee costs of KSEB Ltd is high. He also raised concern over the sale of surplus energy at lower rates in the market and slow recovery of receivables. He also requested the Commission not to allow the contribution by the licensee to CMDRF as expense.
10. Shri. Joy M. A, FACT submitted that the energy rates are high in Kerala and this situation is not conducive for the smooth running of business enterprises.
11. Shri. Shaji Sebastian representing the small scale industries submitted that, the solar projects under Saura scheme are getting delayed due to procedural issues and suggested for a self certification procedure for the projects up to 500 kVA to be introduced. He further submitted that the incorrect auxiliary consumption figures and distribution loss figures will affect the commercial consumers adversely.
12. Sri. Saji Mathew, MRF submitted that, the incorrect auxiliary consumption and transmission loss will adversely affect the open access consumers.
13. Sri. Rajesh Kuruvilla, CUMI submitted that the short fall in hydro generation is not justifiable as there is sufficient water-flow during that period. KSEB Ltd. in reply submitted that the reduction in generation is not due to insufficient water-flow and the shortfall is due to the break-down of certain machineries during the flood time. Sri Pradeep, Hindalco and Sri. Renjith Jacob, Apollo Tyres, also raised the issue of wrong auxiliary consumption data and requested the Commission to issue necessary directions to the licensee for the implementation of a proper metering system to ensure the measuring of auxiliary consumption at a reasonable accuracy. Sri. Hareesh, HOCL submitted that the contribution to CMDRF by the licensee should not be allowed as expense.
14. The HT & EHT Consumers' Association represented by Sri. A.R Sathish submitted that, there is a lack of clarity in many of the accounting procedures adopted by the petitioner. He also raised a doubt over the reliability of data given in the truing up petition as well as in the website of the licensee. He further stated that the rate of power purchase for wind projects shown in the petition for truing up of accounts for 2018-19 is not consistent with the rates approved by the Commission. He also pointed out some of the differences in the power

purchase rates with that of the approval by the Commission. Further, in respect of the truing up of accounts for the year 2018-19, he submitted that the amount claimed under repair & maintenance, employee cost and O&M expenses should be allowed only based on the norms and requested the Commission to exercise proper checks before allowing these expenses. He also commented on the pay revision implemented by the KSEB Ltd, which is a company having equity eroded three times the original equity. He further stated that that the provision to allow pay revision in the Regulation would result in passing through of the pay revision expenses without prudence check. It is also pointed out that KSEB Ltd has not furnished the petition for fuel surcharge for the year 2018-19, which is not a desirable trend since translating the fuel cost increase during the truing up stage will result in increase in tariff permanently. Regarding RoE, the Association pointed out that they would stick to their stated position that increase in Equity shall not be considered and the matter is before the Supreme Court in the form of the second appeal filed by KSEB Ltd.

15. Shri. Satheesh further submitted that the contribution by the petitioner to CMDRF should not be allowed. The total surplus in the truing up as per the calculation of the Association is about Rs.1281 crore instead of the revenue gap of Rs.759.88 crore shown in the petition. Association pointed out that a copy of their detailed presentation and comments on the petition will be submitted to the Commission shortly.
16. Shri. Viswanath represented the Association for presenting the comments on mid-term performance review. Regarding the midterm performance review for the period ending 30th September 2019 and revision of estimates for the remaining period, Sri. Viswanath submitted that the cost of small hydro projects proposed is on the higher side. He also requested the Commission to check the viability of the solar projects before according approvals, as the cost of many projects seems to be high. He further submitted that only 50% of the estimated cost is to be approved for the Transgrid Project and the estimates prepared by the petitioner for Repairs & Maintenance and O&M expenses need to be verified as these are prepared without any valid basis.
17. The Commission thereafter directed that the respondents may furnish their written comments, if any, to the Commission immediately with a copy to the petitioner.
18. The Commission after hearing the petitioner and other participants, directed the petitioner as follows:
 - (a) to submit immediately the additional information/clarifications sought by the Commission.

- (b) to submit the details of utilisation of grant received from the Government for the flood restoration works undertaken by the petitioner segregating maintenance expense and capital expenditure. Also furnish the copy of utilisation certificate issued, if any.
- (c) to submit the details of settlement of water authority arrears such as total amount agreed as part of settlement, amount received so far from Government, actual adjustment of interest charges, balance to be received, etc
- (d) to clarify the rate of power purchase approved by the Commission and the rate mentioned in the petition regarding the wind projects.
- (e) to file a petition for the approval of PPA in the case of power purchase from Kudgi Thermal Power Project
- (f) to furnish the report on the Compliance of directives issued as per the Order dated 08-07-2019.
- (g) to furnish the reply on the comments of the respondents on or before 25-08-2021.

Sd/-

**Adv. A.J. Wilson
Member (Law)**

Sd/-

**Preman Dinaraj
Chairman**

List of Respondents present in the Video Conference Hearing

1. Shri. Dijo Kappen
2. Shri. Shaji Sebastain, Small Scale Industries Association
3. Shri. A.R.Satheesh, President, HT-EHT Association
4. Shri. Viswanath, Vice President, HT EHT Association
5. Shri. Ratheesh Kumar, HT-EHT Association
6. Shri. K.K. George, HT-EHT Association
7. Shri. Joy. M.A, FACT
8. Shri. Sarath, FACT
9. Shri. Renjith Kuruvila, CUMI
10. Shri. Radhakrishnan, CUMI
11. Shri. Renjith Jacob, Apollo Tyres
12. Shri. Hareesh Madhavan, HOCL
13. Shri. Bijukumar, FACT
14. Shri. Saji Mathew, MRF
15. Shri. M. Pradeep, Hindalco
16. Shri. Jiji R. Patspin
17. Shri. Nair Nandakumar, CUMI
18. Shri. Ajmal, TCC

19. Shri. Shibu Kurien, TCC
20. Shri. Saju Thomas, BPCL

Approved for Issue

Secretary